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Investigating factors influencing intention to purchase private label brands in cosmetics category

Irina Egorova

Supervisor: Professor Leif Egil Hem

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NORWEGIAN SCHOOL OF ECONOMICS

Abstract

The thesis focuses on factors influencing intention to purchase private label cosmetics. To the author's knowledge, there have been no previous attempts to study the relationship between factors and intention to purchase in cosmetics context. Therefore, a gap in private label research has been identified, and this paper is an attempt to close it. This paper aimed to identify which factors are influencing intention to purchase private label cosmetics, and if those are similar to previous findings from private label brands in other categories. In order to answer the question, a survey was developed and distributed among female NHH students and females in personal network, resulting in 156 viable responses. Structural equation modelling is used to analyze the relationships. Results show a direct negative effect of social risk and quality consciousness on intention to purchase private label cosmetics. Financial, functional, physical, psychological and time risks, perceived value and perceived quality, as well as value and price consciousness do not affect intention to purchase private label cosmetics. Key findings of the thesis point that private label cosmetics are still perceived as lower-quality alternatives to national brands, and are not chosen by consumers seeking quality above all. Also, it becomes apparent that cosmetics consumption contains symbolic aspect, where consumption of private label cosmetics is seen by some consumers as lowering their social status. These results are new for private label research, as no such studies have been conducted in the cosmetics context before. Findings also suggest that factors affecting intention to purchase private label brands differ across categories. Compared to studies researching similar relationships in other categories, both consistent and inconsistent results were identified.

Keywords: private label brands, private label cosmetics, color cosmetics, intention to purchase

Preface

This thesis is written as a part of my Master's degree in Economy and Business administration, major in Marketing and Brand Management, at Norwegian School of Economics (NHH). The thesis was written during the autumn semester 2016, and constitutes 30 study points. Writing this thesis was a challenging and exciting process, which allowed me to deepen my knowledge in the area.

I would like to thank my supervisor, Professor Leif Egil Hem, for his interest in my work and for providing constructive and valuable feedback. I would also like to thank Arild Schanke for helping me with the survey distribution. I would also want to thank everyone who has made my study possible by responding to the questionnaire. Finally, I would like to thank my family and friends for supporting me and motivating me along the way.

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1. Introduction

The chapter presents the background of the topic, the research question of the thesis and the description of the thesis organization.

1.1 Background to private label cosmetics

Cosmetics industry has traditionally been characterized by strong brand names, heavy advertising and high personal relevance for consumers. Just a few old well-known companies are dominating the market with their brands, where 2 biggest conglomerates alone, L'Oreal and Procter&Gamble, account for more than 20 percent of the market (Geoffrey, 2010). Although there is a growth trend for private label cosmetics, specifically for products like lipsticks, fragrances and facial moisturizers (Kumar & Steenkamp, 2007), cosmetics private labels are struggling with gaining bigger market shares (The new face of private label global market trends to 2018, 2013).

Private labels are an emerging trend in the business activities of many retailers (Brazauskaitė, Auruškevičiene, & Gerbutavičienė, 2014), on average achieving market share of 23% within Europe (Cuneo, Milberg, Benavente & Palacios-Fenech, 2015). PLMA's 2015 Private Label Yearbook (2015) shows that in 2015 the market share of private label brands rose in 14 out of 20 European countries they are monitoring, while the volume produced rose in 17 out of 20 of those countries. Private label brands are especially widespread in food industry (Kakkos, Trivellas & Sdrolias, 2015), and are represented in more than 90% of consumer packaged goods categories (Cuneo et al., 2015). In ten of those countries, over half of all frozen products are private label brands (PLMA's 2015 Private Label Yearbook, 2015).

Many of the high-end, luxury apparel brands have launched extensions in the cosmetics category (color makeup, fragrances and others): Armani, Chanel, Dolce&Gabbana (From the Closet to the Dressing Table: Apparel Brands Enter the Colour Cosmetics Fray, 2013). These extensions are further from the original categories than, for example, accessories and sunglasses. However, there exists a rather close connection between the aims of fashion and of cosmetics, making the introduction of beauty products a congruent step, allowing brands to better connect with their customers and attract new ones, who can afford cosmetics, but not the apparel.

Currently, more and more retailers are looking for possibilities to expand into the beauty sector, concentrating primarily on private label color cosmetics. Those include fast fashion apparel retailers, such as H&M, Ann Taylor, Top Shop (Mason, 2014), and beauty products retailers, like Sephora. Combining apparel, accessories and cosmetics, those stores are aiming to introduce a low-cost one-stop alternative for creating a look (Fast Beauty, 2015). By introducing their beauty lines, they are competing with national brands as suppliers of color cosmetics.

Resulting from recessions, more and more consumers are shifting to private label brands, even in the categories where they previously were loyal to national brands (Lamey, Deleersnyder, Dekimpe, & Steenkamp, 2007). With the increasing prevalence of private label products in the daily life of consumers the confidence in them also increases (Mason, 2014), together with the willingness to buy store brands. 76% of respondents note that they plan to continue buying private label brands after the return of economy to the normal level, regardless of their income level (Mason, 2014). However, customers traditionally show different responses to different categories of private labels. While they believe that private label products of other categories are produced in the same places as national brands, the belief does not hold for private label cosmetics (Doyle, 2013). Research shows that 65% respondents would choose a national brand to private label cosmetics (Doyle, 2013). However, there are differences in responses to brands within private label cosmetics, too. Customers show a different level of acceptance to the different private label color cosmetics retailers: while they react highly positively to TopShops' cosmetics, they are insecure about trying H&M's cosmetics, even though those two stores are both in fast fashion segment, targeting similar groups (H&M Is Breaking Into Beauty, 2015). With the brand image and brand associations those brands currently have connected to the main category, they struggle fighting the association of cheap, fast, low-cost products when moving to the makeup category (Fast Beauty, 2015). The consumers also feel bigger personal risk when buying private label beauty products (Doyle, 2013), making this category problematic for private label consumer producers to grow the market shares.

1.2 Research question

There are many studies in the field of private label brands, focusing on intention to purchase, which is considered a good indicator of actual buying behavior (Douglas & Wind, 1971).

Most private label brands studies have been conducted in the context of foods and packaged consumer goods (Beneke, Greene, Lok, & Mallett et al., 2012; Jaafar, Lalp & Naba, 2013). Among the factors found to influence intention to purchase private label brands, perceived risks (Jacoby & Kaplan, 1972; Peter & Ryan, 1976; Schiffman & Kanuk, 2004; Beneke et al., 2012; Sheau-Fen, Sun-May & Yu-Gee, 2012; Mieres, Díaz Martín, & Trespalacios Gutiérrez, 2006) and quality consciousness (Ailawadi, Neslin, & Gedenk, 2001; Martinez & Montaner, 2008) are often found to decrease intention to purchase private label brands. Perceived quality (Sheau-Fen et al., 2012; Liljander, Polsa, & Van Riel, 2009; Mieres, Díaz Martín, & Trespalacios Gutiérrez, 2006; Richardson, Dick, & Jain, 1994; Hoch & Banerji, 1993), perceived value (Liljander et al., 2009; Richardson, Jain & Dick, 1996; Beneke & Carter, 2015), value consciousness (Burton, Lichtenstein, Netemeyer, & Garretson et al., 1998; Diallo, Chandon, Cliquet, & Philippe, 2013), price consciousness (Batra & Sinha, 2000) and customer innovativeness (Jin & Suh, 2005) are among factors increasing intention to purchase private label brands. Studies results often overlap in conclusion of what factors influence intention to purchase private label brands. However, there is no universal agreement on the topic, as studies' results also often contradict. While the findings of those studies are of high valuable to private label research, it is questionable if those could be generalized to categories differing significantly from the original categories, like cosmetics category. There are currently no studies focusing exclusively on factors influencing intention to purchase private label cosmetics. This study therefore aims to fill in the gap in the private label research by analyzing intention to purchase within the context of private label cosmetics. The findings could be used to understand if the results of previous work made in other contexts hold true in the context of cosmetics. The study also creates a basis for future research in the area. Scholars could take a deeper look in the identified relationships to investigate the reasons why those correlations exist, thus enriching knowledge base within the topic.

Besides being interesting from the theoretical point of view, the topic is also interesting because of its managerial implications. Previous research has found that private labels can enhance store differentiation, loyalty, increase market shares and enable higher profit margins. Due to their characteristics, they are also believed to penetrate the markets faster than national brands (Brazauskaitė et al., 2014). Widely found in the food and packaged consumer goods categories, introducing private label cosmetics brands has potential to result in similar positive effects for companies. With the low market share of around 3% of the

total market, private label cosmetics have a room for expansion (The new face of private label global market trends to 2018, 2013). With the extensive development of private label brands and the advantages they can provide, it is crucial for retailers to understand factors influencing the potential success of their private label brands. Analyzing the factors tampering sales, producers should use the knowledge to alter the products to make them better matching to customers' needs.

Having knowledge about factors influencing purchase intention of private label cosmetics is also useful for national cosmetics brands, competing with private label brands. Even though the market share of private label cosmetics is currently low, national brands should not underestimate the threat they bear. National brands could utilize the knowledge about weaknesses of private label cosmetics important for consumers to outperform them in the market.

The thesis makes use of the existing body of marketing research on private label and research regarding cosmetics industry. Building on the knowledge previously obtained, this paper studies factors related to purchase intention that were found relevant by research conducted in other categories, and places them in the context of private label cosmetics. The thesis therefore aims to answer the research question:

Are perceived risks, perceived value, perceived quality, value consciousness, price consciousness, quality consciousness and customer innovativeness related to intention to purchase cosmetics private label brands?

1.3 Thesis organization

The thesis consists of seven chapters. Chapter 1 gives an introduction in the topic and research question and provides background information on the subject. The research question is focusing on a new context in private label research, which has been given little attention before. Chapter 2 aims to explain the organization and history of cosmetics industry. It also explains how cosmetics products differ from other categories and why cosmetics might be struggling in the private label context. Chapter 3 presents theoretical review of the private label concept and other concepts relevant for answering the research question. Developed hypotheses are also presented. The methodology used in the thesis, including the approach, research design and research strategy, is described in Chapter 4. The

study employs deductive approach, the research design follows descriptive approach, and the strategy chosen for data collection is a questionnaire. Chapter 5 presents the results gained from the data collection and data analysis. Quantitative approach was used in this study, where collected data was analyzed by statistical tools provided by SPSS and SPSS AMOS. Chapter 6 presents the discussion of the research results in context of existing research, as well as discusses the limitations of the study and suggests directions for future research. Conclusion is provided in Chapter 7.

2. Cosmetics category

This chapter gives an introduction into the cosmetics industry organization and history (part 2.1). It later explains the distinguishing factors of cosmetics products (part 2.2) and provides an assessment of factors that might by influencing the struggle of beauty products in private label context (part 2.3).

2.1 Overview of cosmetics industry

The history of cosmetics industry goes long in the past, and usage of cosmetics helped people signaling about their social status. Across the locations and cultures pale skin was a sign of wealth, as only the rich were able to stay inside the houses long enough. The presence of foundation-like cosmetics is therefore seen in many parts of the world. The archeological evidence finds the first evidence of cosmetics in Ancient Egypt, around 4000 BC (The History of the Beauty Industry, n.d.). People have used improvised means such as berries, vegetables, beetles and homemade cosmetics to color their faces. History says that both men and women highly valued positive self-image and beauty in Ancient Egypt, with makeup being used by both genders to highlight the natural gifts. In China people used nail polish, where the color of nails represented one's social class (History of Nail Lacquer, 2011). In the second part of sixteenth century pale skin remained being perceived aristocratic, with women using powders to achieve it. In the eighteenth century, people strived for bold looks, trying to get as pale skin as possible, removing and repainting eyebrows, drawing bright red circles as a blush and drawing mouth smaller than it was. In the beginning of nineteenth century the use of makeup turned into being vulgar, with women applying only moderate amounts of makeup to darken eyebrows and embracing the natural look (The history of fashion and make-up before the 20th century, n.d.). The commercialization of the industry peaked only in the early twentieth century with the increasing popularity and influence of ballet, theatre and then movie industry (The History of the Beauty Industry, n.d.). Famous brands such as Max Factor, Helena Rubinstein, Chanel appeared at that time.

Cosmetics could be legally defined as "articles intended to be applied to the human body for cleansing, beautifying, promoting attractiveness, or altering the appearance without affecting the body's structure or functions" (U.S. Food and Drug Administration, 2009). Cosmetics

encompass a wide variety of products, including eyeshadows, lotions, lipsticks, fingernail polishes and others. Cosmetics industry could be divided in 6 main groups: skincare, haircare, color cosmetics, perfumes, hygiene products and oral cosmetics. Hygiene products and oral cosmetics categories are sometimes also united in the "toiletries" category (Lopaciuk & Loboda, 2013). Among those the skincare segment is stably the largest and fastest-growing, accounting for 35.3% of overall market in 2014, followed by haircare (23.3%) and color cosmetics (16.6%) (Cosmetics Industry, 2015). This is related to the customer trends, such as skin problems of young adults, desire for sun-exposure protection and the big share of mature consumers among all buyers, where those buy twice as many products as young adults (A resilient cosmetics market, n.d.). Private label market, however, is dominated by color cosmetics, while other types of products are less prominent. Being the most representative for the category in the private label context, color cosmetics are chosen as the focus of the study.

Beauty products differ in brand prestige, price and distribution channels, placing them on the range between mass and premium. The majority of products are within mass segment (72% in 2010), with 28% remaining for premium segment, mostly consumed within developed markets (Lopaciuk & Loboda, 2013). Many cosmetics products are introduced as prestigious, being mass in origin. This educates consumers about the quality of mass products, making them more open to the thought that mass makeup products can deliver results like those delivered by more prestigious products (Lopaciuk & Loboda, 2013).

The cosmetics industry is rapidly developing and growing, moving across borders. The biggest cosmetics market in the world is United States, generating revenues of around 62 billion U.S. dollars (Cosmetics Industry, 2015). In Europe, Germany has the greatest market volume, accounting for 13 billion euros in 2014, followed by France (10.58 bln euros), United Kingdom (10.4 bln euros) and Italy (9.39 bln euros) (Cosmetics Industry, 2015). While China was restricted in use of cosmetics several decades ago, now the market is growing there, too, with China being the fourth beauty market nowadays (Geoffrey, 2010).

The beauty market is dominated by well-known corporations and brands, where more than a half of all sales could be accounted for ten biggest companies, with L'Oreal and Procter & Gamble alone accounting for over one-fifth of sales (Geoffrey, 2010). As those two companies operate in a house of brands format, many of their brands could be found among the most powerful and valuable brands (Cosmetics Industry, 2015).

Cosmetics industry is traditionally characterized by several trends. First, it is dominated by women and is often perceived as being encouraging of obsession with physical attractiveness and perfection (Geoffrey, 2010). Second, the industry praises both strive for the innovation and loyalty to the past. The advertising of cosmetics products aims to emphasize the innovational technologies and components used in manufacturing products. However, they also highlight the long rich history of brand names (brands such as Chanel) and the origin, associated with the high end iconic beauty locations – New York and Paris (Geoffrey, 2010).

With the expansion of beauty market and the growing prevalence of makeup in non-western markets the new beauty trends are developed in line with beauty culture of non-European and non-North American populations. This trend enriches the diversity of available beauty products, adding new beauty rituals and forms of cosmetics (Cosmetics Industry, 2015). The beauty market is highly heterogeneous, with different demand patterns across the countries, which the leading brands consider.

The beauty industry is shifting towards longer working and longer lasting products that allow customers to save time. The products gaining popularity are those that give possibility to save time spent on beauty procedures: quick dry and long-lasting nail polish, foundations that contain face creams, long-lasting lipsticks (Lopaciuk & Loboda, 2013). Consumers are also becoming increasingly more concerned about the products' organic origins and sustainability (Lopaciuk & Loboda, 2013). The cosmetics producers are therefore looking for providing products with the higher or similar quality level, guided by science and research to best meet the changing consumer needs. The products are tested to meet the safety and quality regulations before being introduced in the European market (Key Facts about the Cosmetics Industry, n.d.).

With the rapid take off of beauty blogs, more people are becoming educated about makeup, makeup brands and application techniques. Depending on the perceived quality and information value on those cosmetics blogs, consumers are forming more positive evaluations of the products appraised by bloggers. For many women and men, makeup became a hobby, where they are buying makeup not only because they are out of the products essential for them, but because they want to try something new and add it to products they own (Fast Beauty, 2015).

Changes are also visible in distribution channels. While people continue buying products in physical stores, more beauty products are being sold through internet stores and social media platforms, where consumers seek for better prices for known products or order unknown products from the brands not available in the local markets (Lopaciuk & Loboda, 2013).

2.2 How cosmetics cateegory differs from other categories prominent in private label market

Cosmetics products are different in nature and buying behavior from the product categories prominent in private label market, such as foods and groceries. Interferences to cosmetics category could be made from the apparel category, as both serve as appearance enhancement and means for self-expression. They are on a rather similar level of involvement and they contain a higher level of social risk than groceries. Buying both clothes and cosmetics, consumers are building up a solid level of expectations and then experience the products' quality during usage, experience pleasure if the experience is satisfactory (Vahie & Paswan, 2006).

Batra and Sinha (2000) describe product categories in terms of being experiential and search. Experiential products possess more hedonic benefits that could be experienced only during usage. Instead, search benefits can be easily accessed and assessed prior to product usage. While it is easy to experience and see the results of using products such as foods (adding taste, being nutritional) and cleaning products (cleaning the surface, fabrics), the effect of cosmetics is often hard to see and measure. Some products, like nude lipsticks or highlighters, are hardly visible when applied. Quality assessment process also differs: while consumers can assess the food product by reading ingredients, they lack the knowledge of how certain cosmetics ingredients will act on them and what they mean. Together with apparel category (Vahie & Paswan, 2006), cosmetics category is experiential in nature due to customers' inability to predict how the products will work without experiencing them. Therefore, cosmetics category differs by being experiential, while more traditional products in private label research are mostly search products.

Vahie and Paswan (2006) notice that apparel, unlike groceries, has a less habitual, less routine character of purchase, where customers are not necessarily relying on the previous experience with the exact product. Instead, they might create expectations of the product based on the experience they have with the store or the category on its own (Vahie &

Paswan, 2006). Same purchase character is characteristic of cosmetics, which are not just bought routinely. Consumers do not shop for cosmetics on daily basis, and they pay a certain amount of cognition to choose their products, as they might actively assess the consequences of their choices.

Humans strive to appear more attractive, and cosmetics act as an enabler for that. They are also used as means of self-investigation (Patil & Bakkappa, 2012). Desire to look better is natural for people, and improving the look is an inherent characteristic (Adams, 1977). While people use cosmetics to be perceived better looking, they also do so to improve their own self-image, reflected in self-perception and mood (Patil & Bakkappa, 2012). People believe that being attractive helps improving social status, increases chances of meeting a better partner and positively influences work progress. Attractive, aesthetical appearance also attracts other people's attention, making them pay closer attention to attractive people (The History of the Beauty Industry, n.d.). Concerned with making them seem attractive, consumers feel more trust to the cosmetics made from natural ingredients rather than synthetic ones, as they believe the natural herbal components work better (Junaid, Nasreen, & Ahmed 2013). They hold the belief that low-quality materials used in cosmetics may harm their skin, which is a direct representation of one's appearance. The possible side effects of cosmetics are therefore tampering the trust to synthetic and low-quality cosmetics, causing people feel uncomfortable about buying products containing those components (Junaid et al., 2013). That might be one of the reasons why consumers agree to pay high prices for the cosmetics products, hoping for better quality of higher priced products, even when the retail price is high above the production cost (Geoffrey, 2010). With such a relation attached to the product category, it shows a difference from typical private label products.

Conscious about self-image and public opinions, consumers are becoming more fashion-conscious regarding cosmetics, desiring more innovative products and following the trends in beauty industry (Limbad, 2013). Research shows that women buying cosmetics care about the packaging of cosmetics products, and they desire fashion styling, appropriate to the emerging trends. This is another factor clearly distinguishing cosmetics products from other basic products like food. Even though the package itself does not affect the way the product works, appealing fashionable designs and products bought in fashionable stores act as a signal to others and as a mean of one's ego satisfaction (Sproles and Kendall, as cited in Limbad, 2013).

2.3 Why cosmetics are struggling as private labels

Private labels are becoming more and more prominent in a wide range of categories. Attracting consumers with their value for money benefit, they are becoming a serious source of competition for national brands. However, even though new private labels enter cosmetics category, they are struggling with gaining bigger market shares (The new face of private label global market trends to 2018, 2013). A difference in penetration rate cannot be attributed to a simple coincidence. Rather, among other factors, the reason of success variation lie in the categories differences (Hoch, 1997, as cited in Batra & Sinha, 2000).

Many factors could be playing a role in success of private label cosmetics. While private label groceries brands have appeared a long time ago and evolutionized stepwise, private label cosmetics is a rather new concept. The new products are always met with skepticism from the mass users. Initial adoption starts from innovators and early adopters – more innovative users, usually having specific knowledge of the subject (Rogers, 1983). Those first adopters often act as opinion leaders, sharing their opinions with the rest of community listening to them. In the context of cosmetics, beauty bloggers, having knowledge about cosmetics and being less risk-averse, could be among the first ones to try the new private label cosmetics products. It is currently a common practice for bloggers to review new cosmetics collections in their blogs prior to their launch for the mass consumption, so that average consumers would get to know what to expect from the collections. Similarly, average people would be more willing to try private label cosmetics if the bloggers they trust would give positive reviews on private label cosmetics products (Chen, Chen and Chen, 2014).

According to Roger's Diffusion of Innovations theory (1983), in order for the product to successfully diffuse in the market, it has to obtain these perceived characteristics: relative advantage, compatibility, complexity, trialability and observability.

Relative advantage appears to be the most problematic aspect for diffusion of private label cosmetics. For a new product to be accepted, it must be better than other options that a person is using at the moment. Here arises the question of what consumers are expecting from their cosmetics and how they assess its benefits. First, consumers are looking for quality options, which would work according to their expectations. Saturated by a wide variety of brands, cosmetics is a category with high quality variance. According to Beetman

(1974), perceived risk is higher, when the quality gap in the category is big. Therefore, the comparison would be made with quality of national brands, where high quality and high level of innovativeness are common. Since the color cosmetics requires high level of R&D development for majority of the products, consumers might be resistant to buy private label cosmetics due to the lack of trust in the innovativeness of the private label cosmetics producers. They might thus believe that private labels will not work well enough and choose to stay loyal to their favorite brands or choose better-known brands to avoid functionality risk.

Additionally, since many of private label brands retailers did not have experience with cosmetics from before, consumers might have an impression retailers are incompetent in production of products better than those they currently use, specifically if the production is complex (DelVecchio, 2001). It is especially relevant for fast fashion retailers that have image of lower-quality low-cost apparel producers. Associating those retailers with products of low quality, customers would struggle to believe that cosmetics quality would be higher. It is therefore crucial for those brands to build a solid reputation of high quality in their beauty segment that would attract not only the target audience of their apparel line, but other consumers, too.

Moreover, since consumers are using cosmetics for self-expression, improvement of self-image and indulgence, they would need their products to have a relatively fashionable design that would not be significantly worse than that of national brands. If having private label cosmetics is a socially disapproved behavior, purchase of those products will contain high level of social risk. As brands play a role in this dimension, premium private label cosmetics could be a more preferred option than regular private label cosmetics (Schnittka, 2015).

Since cosmetics refer to products with experiential characteristics, trialability is crucial for them to spread in the market. As consumers cannot compare options based on the product ingredients and other information provided on the package, their uncertainty level and perceived risk would rise (Batra & Sinha, 2000). It is therefore important for retailers to give customers a chance to interact with their private label cosmetics and experience their quality. Gaining product familiarity would help decreasing perceived risk associated with the purchase, which could result in more chances of purchasing private label brands (Richardson et al., 1996).

Other characteristics, mentioned by Rogers (1983), seem to be in place with private label cosmetics. They are compatible – meaning that they are compatible with past experiences customers have with cosmetics. Consumers do not need to change their behavioral patterns to use the products, rather it is a brand change. The usage also does not require any additional knowledge, meaning that the complexity level is low.

Based on the discussion presented in the chapter 2, the main characteristics differentiating cosmetics products from products of other categories could be summarized as follows:

- *Category*: Innovation-driven category. Dominated by a few well-known brands with long history;
- *Target group*: Almost exclusively women;
- *Usage purpose*: To enhance appearance, improve self-image and as means of self-expression;
- *User involvement*: Higher involvement level;
- *Type of product*: Experience product, hard to assess prior to usage. More difficult to assess price of products by looking at results of using cosmetics. Usage of some products is not visible.
- *Specific characteristics*: Applied directly to skin, interacts with it and might cause allergies.

3. Theory

This chapter presents theoretical material needed for building hypotheses and analyzing the discoveries. The chapter discusses development of private label brands (part 3.1), types of private label brands (part 3.2), benefits of private label brands (part 3.3) and factors influencing intention to purchase (3.4). Finally, the hypotheses are developed (part 3.5).

3.1 Development of private label brands

Private labels are "brands owned by retailers and distributed in their stores" (Nenycz-Thiel & Romaniuk, 2014., p. 262), present in different quality categories. Products could be manufactured by the retailer itself, but usually the production is outsourced to the third party (Beneke, 2013).

Private label products originally emerged as generic products, developed for the first time in the U.K. in 1869. They were commodity-based and aimed on creating a competition and undercutting national brands. They were positioned as lower-quality low-cost alternatives, targeting lower-income consumers, agreeing with products' lower quality (Colins and Bone, 2008, as cited in Global Private Label Trends, 2010). In the 1980s private labels started mimicking the national brands products, offering similar products with good enough quality on the competitive prices. This strategy was aiming at gaining consumers' trust and loyalty, as well as educating them about the value-for-money dimension of private label brands (Global Private Label Trends, 2010). The positive effect of mimicking could be attributed to the transfer of positive associations from the familiar national brands, their brand names, packaging design, logos, resulting in increased consideration and preference of the private label brands (Aribarg, Arora, Henderson, & Kim, 2014). By the end of 1980s, private labels were dominant brands in 20 percent of supermarket categories in the U.S. (Hyman, Kopf & Lee, 2010).

During the next decade, private labels expanded into higher-quality segments. Private label brands producers started creating premium high-quality products, which also appealed to customers seeking foremost quality of products and ingredients. Those products were in line with customer trends, being tailored offerings to suit the broader variety of customer demands and lifestyles and strengthening the trust to and satisfaction with private labels

(Global Private Label Trends, 2010). Instead of being strictly functional and faceless, private labels were turning into brands themselves (Kumar & Steenkamp, 2007).

3.2 Types of private label brands

Kumar and Steenkamp (2007) in their book "Private label strategy: How to meet the store brand challenge" distinguish between four types of private label brands: generic private labels, copycat brands, premium store brands and value innovators. Private labels are changing their image from being generic brands to products ranging from good to better and best, thus making sure to appeal to people with all levels of income. With several options available, private labels allow for differentiations and thus respond to more heterogeneous customer needs (The Evolution of the Private Label Food Industry: A Globally Grown Perspective, 2014).

According to Sinha and Batra (1999), the average quality level of private label brand is higher than the average quality of national brands, while the average price of national brands is always higher on average than price of private label brands, regardless of the quality level. Consumers rarely attribute the price premium of national brands to significantly higher quality (Batra & Sinha, 2000). Rather, they perceive the price premium as a price charged for the brand name and advertising expenses. The price-quality difference perception between private label brands and national brands therefore blurs, making some customers perceive private label brands to be offering similar quality at lower prices (Garretson, Fisher & Burton, 2002). Together with repositioning strategies undertaken by private label retailers, the convenient, lower-quality image of private label brands weakens, giving way for competitiveness based on wide assortment (Sansone, 2015). However, regardless of type of private labels, surveys reveal that private label brands are still often perceived as lower than national brands on attributes such as quality, appearance and attractiveness (Richardson et al., 1994).

Kumar and Steenkamp (2007) thoroughly review different types of private label brands in terms of their strategy, objectives, branding, pricing, category coverage, quality to brand leader, product development, packaging, shelf placement, advertising and customer proposition (Appendix A).

3.2.1 Generic private labels

Kumar and Steenkamp (2007) describe generic private labels are the cheapest and most basic among private label types, which is reflected in the type name. They do not have a distinct brand or name. Instead, they have a very simple plain package and often carry the name of the product they represent ("milk"). They are present in the basic functional categories. They have lower quality, but also cost significantly less than national brands, allowing for 20-50% lower price. Retailers do not utilize promotional means for those products and place them on the shelves with less visibility.

3.2.2 Copycat brands

According to Kumar and Steenkamp (2007), copycat brands employ me-too strategy, mimicking the leading national brands. Their main selling point is quality similar to leading national brands, but available for lower prices. Therefore, retailers use services of manufacturers with similar technologies to replicate the products using reversed engineering. To encourage association transfer and to encourage brands comparison, retailers launch those products in packaging similar to the products they are mimicking and place the copycat private labels next to their prototypes. Additionally, retailers are using frequent promotions to attract attention to the products. Visually similar and priced 5-25% lower than leading brands, with price promotions copycats are being appealing to consumers.

3.2.3 Premium store brands

Kumar and Steenkamp (2007) describe premium store brands as a direct competition to national brands, as they are providing value added to consumers with the high quality and differentiating propositions. Retailers are making effort to make sure to produce the best products with technologies similar to or better than leading brands. Those products' packaging is different from that of leading brands, and it plays as a source of differentiation of its own. The products are rarely price-promoted, but they are featured in advertisements. The pricing of premium store brands is on the same level or higher than that of national brands. Kumar and Steenkamp (2007) further distinguishes between premium private labels and premium-lite private labels. Their difference is that premium-lite store brands are somewhat cheaper than national brands, while being of similar or higher quality.

3.2.4 Value innovators brands

The last category of private label brands, presented by Kumar and Steenkamp (2007), is value innovators. Presented by such stores as Aldi, H&M and IKEA, value innovators are providing their customers with the best value-price ration. They are enabling consumers to get the best quality for prices 20-50% lower than leading national brands due to exclusion of superfluous, non-value-adding features in their products. Since cost-cutting is a part of their strategy, they are trying to innovate to allow for the most efficient processes. Products of value innovators are positioned as regular products, with regular advertising and promotion schedules.

3.3 Benefits of private label brands

Private label brands market shares have grown substantially since their introduction. They are now represented in more than 90% of consumer packaged goods categories (Cuneo et al., 2015). While private labels were first generic and low-quality, their quality has improved with time (Sinha & Batra, 1999). Traditionally, private label brands appealed to customers due to their low prices. However, now private labels are more appealing to customers not only because they offer lower prices, but also relatively high quality. While price is indeed an important component of private label success, Hoch and Banerji (1993) highlight that quality plays a bigger role than price. Therefore, increasing product quality while keeping pricing low was an essential step in private label development.

Research (Lamey et al., 2007; Hoch & Banerji, 1993) finds that due to lower pricing private label brands' market share increases during the economic recessions and then decreases when economy recovers. However, this contributes to long-term success of private label brands. When more consumers are first switching to private label brands during recessions, they get to experience them. Satisfied with those products, many customers do not feel the need to switch back to national brands after recession (Lamey et al., 2007).

Besides being an attractive option for consumers, private labels also appeal to retailers and manufacturers. Hyman et al. (2010) provide an integrated view on private label research steams done throughout two decades. They summarize the benefits of private label brands to retailers and manufacturers and to both joined. Their findings are presented in the chapters 3.3.1, 3.3.2 and 3.3.3.

3.3.1 To retailers

Private label brands, due to their lower variable costs, lower R&D and advertising costs and lower competition level, allow for higher gross margins than national brands (Hyman et al., 2010). While national brands need to fight for shelf places in different stores and compete with private label brands of different chains, each private label shares benefits given by the retailer. Lower margins allow retailers to introduce lower prices, which strengthens competition in the category and threatens national brands. Authors (Hyman et al., 2010) summarize that introduction of attractive private label brands increases overall sales in the category, attracting more customers to the category and making national brands lower their prices to remain competitive and not to lose their current market shares.

According to Hyman et al. (2010), introducing private labels also contributes to successful relationships between store and both old and new customers. Private label brands are a strong differentiation source, permitting unique positioning in the market. This is especially relevant for stores like IKEA, as they are using their offerings to create a special image, which is not disturbed by other brands. If the unique offerings of private label brands are appealing to customers, that could result in increased store loyalty and higher retention rates. Loyal customers would in the future be more willing to buy higher-priced products from the retailer. In the same time, since private label brands are often priced lower than national brands, price-conscious buyers and value-conscious buyers would be more willing to switch to private label brands in the economic downturns and likely not return to national brands, satisfied by quality of private label brands (Lamey et al., 2007).

3.3.2 To manufacturers

Hyman et al. (2010) claim that production of private label brands can result both in profits and losses for manufacturers. They suggest that production of private label brands is most beneficial for non-leading manufacturers, while it can harm leading manufacturers. The losses can occur due to the nature of private label brands – having lower margins, they could also lead to insufficient profits for manufacturers. Losses can also incur due to cannibalization of own national brands when both products are competitors. Additionally, private label brands can be disloyal to manufacturers, switching the manufacturers and thus leading to losses on behalf of manufacturers.

Describing benefits, Hyman et al. (2010) mention that manufacturers can benefit from economies of scales due to low unit production costs, where the production process makes use of national brands' production. Additionally, since manufacturers do not need to employ promotion costs, manufacturers economize on that. Production of private label brands can also be used as means to price national brands higher, using private label brands as an anchor that consumers will be using to assess prices. With the increased prices, they can benefit from their loyal customers that do not switch to alternative brands.

3.3.3 To manufacturers and retailers

For both manufacturers and retailers, introduction of private labels results in increased profits and increased overall category expenditures by consumers. This is explained by Hyman et al. (2010) by increased advertising for both categories and by ability to increase prices when higher-quality private label brands are introduced. Moreover, with a wider diversity and brands and prices available, more customers will be attracted to buy products.

3.4 Intention to purchase private label brands

Purchase intention is one's conscious plan to make an effort to carry out certain behavior (Eagly & Chaiken, 1993) and hence is believed to be a strong predictor of the actual purchase (Douglas & Wind, 1971). It means that consumer is planning to choose a brand without switching to other brands. Purchase intention data is often used to predict demand, advertising, distribution and pricing policy (Kakkos et al., 2015). The larger the purchase intention, the larger a buyer's intention to purchase a product is (Hoyer & MacInnis, 2010).
Garrido-Morgado, González-Benito, Campo & Martos-Partal (2015) argue that there is a difference between how consumers make decisions when deciding to purchase private label brands and national brands. They claim that since national brands invest heavily in their brand equity and in maintaining relationships with the customers, customers might form positive overall brand evaluation, which they would use to simplify the decision-making. With a high amount of trust and a certain level of habituation, they would not need to engage in comparing the brands and products across attributes. The choice of private label brands is, on the other hand, less affective, it is more about cognitively assessing the attributes and alternatives (Garrido-Morgado et al., 2015).

According to Fishbein and Ajzen's (1975) theory of reasoned action, behavioral intentions are influenced by one's attitude towards certain behavior and subjective norms, and lead to the actual behavior. Many studies have been studying factors influencing intention to purchase private labels, primarily focusing on consumer characteristics affecting purchase intention (Martinez & Montaner, 2008; Glynn & Chen, 2009; Richardson et al., 1996; Kwon, Lee & Jin Kwon, 2008). Perceived risks have also been found to affect intention to purchase private label brands (Beneke et al., 2012; Schiffman & Kanuk, 2010). Price, quality perception and value perception are also among factors that might influence intention to purchase (Zeithaml, 1988).

3.4.1 Demographic characteristics

Brazauskaitė et al. (2014) are discussing the success factors of private label brands and profiles of private label consumers. Reviewing consumer profiling research, they are starting from demographic-based profiling and move towards using psychographic profiling. They discuss that baby boomers (born 1946-1964) demand health preservation through the products they buy and pay attention to quality and healthy ingredients. They are also expected to pay less attention to the brand image and amount of advertising (Global Private Label Trends, 2010). The major characteristics of millennials' behavior is active use of social media, which they use to interact with brands. Specifically, they are using internet to read reviews on the products when planning a purchase. Additionally, they engage in social media campaigns organized by retailers to co-create the products. According to IRI (as cited in The Evolution of the Private Label Food Industry: A Globally Grown Perspective, 2014), 90% of millennials buy private label brands due to them being a better "value for money" option than the national brands. The younger millennials, however, value the brand image, thus being less prone to buy private labels than older millennials (Global Private Label Trends, 2010). Based on the consumer profiles research, Brazauskaitė et al. (2014) are making a conclusion that the demographic differentiation might be losing its relevance, as customers across the age groups and income levels become smart shoppers. Research by Sethuraman and Gielens (2014) also testifies that there is a weak relationship between income level and proneness to buy private label brands. While they find a reversed correlation between income and proneness, the relationship is not linear and is moderated by other factors. The potential explanations could relate to insufficient education level, where

lower-educated consumers fail to recognize quality of private label brands (Sethuraman & Gielens, 2014).

The earlier stream of research, focusing on demographic characteristics, got conflicting results. While there are studies arguing that young consumers rarely choose private label brands (D. Puri and K. De (2012), as cited in Brazauskaitė et al., 2014), Shukla er al. (2013, as cited in Brazauskaitė et al., 2014) found that young consumers are prone to buying private label brands. Other studies find no influence of demographic and socio-economic factors at all (Richardson et al., 1996; Diallo et al., 2013). While the demographic factors might still play a role, they alone are unable to explain differences in purchasing behavior, and they should be considered with other factors, including socio-economic and behavioral, as private label shoppers are diverse, and they are spread among different groups. Based on the reviewed literature on demographic characteristics, it is possible that there will be variations in intention to purchase of people of different age. However, there is no evidence that age on its own should be responsible for variation in consumers' intention to purchase cosmetics private label brands. Therefore, age variable will be included in the study, but only as a control variable. Following the same logic, respondents' country of origin is also included only as a control factor.

3.4.2 Perceived Risk

Engaging in purchasing behavior, customers are expecting to receive a positive outcome out of the action (Stone & Grønhaug, 1993). Perceived risk is a "risk that any action of a consumer might result in consequences, which a consumer cannot anticipate with anything approximating certainty" (Bauer, 1960, p. 390). Previous research suggests that intention to buy private labels increase as those negative consequences of making a mistake decrease (Batra & Sinha, 2000). Stone and Grønhaug (1993) are describing risk as a subjective expectation of loss, where the strength of perceived risk is defined by individual's certainty in the existence of negative side. When the purchasing behavior results in negative outcomes, the expected satisfaction level is not achieved.

Financial, physical, functional, psychological, social (Jacoby & Kaplan, 1972) and time related (Peter & Ryan, 1976) risks have been identified to affect consumer's purchasing behavior. Perceived risks are shown to have great effects on private label brands intention to purchase, even if no actual objective risk exists (Schiffman & Kanuk, 2004). Making a decision, consumers are facing some extent of risk due to the uncertainty. Consumers are

trying to minimize the possibility of making a wrong decision and maximize the positive effect of their choice.

Perceived risks vary across different product categories (Beneke et al., 2012). For instance, social risk is high for apparel private labels (Liljander et al., 2009), but not for private label shampoos (Sheau-Fen et al., 2012). Physical risk decreases intention to purchase private label beef (Hornibrook, McCarthy & Fearne, 2005), but was not found to affect grocery products in the study by Beneke et al. (2012).

Perceived risk increases in categories which exhibit high quality variability (Beetman, 1974; Sethuraman & Gielens, 2014), making consumers doubt if private label brands can provide suitable quality level. When the risk for a concrete product is high, consumers might exclude the alternative from the consideration set (Mitchell, 1999). Familiarity with the private label brand, however, helps reducing perceived risks (Richardson et al., 1996; Mieres et al., 2006), as consumers get better informed about the quality and functionality of private label brands. In categories with lower levels of perceived risk consumers are more likely to buy private label brands due to their greater focus on the desire to save money (Batra & Sinha, 2000). In other words, when they are less concerned about making a mistake, they express more price consciousness and price sensitivity.

Financial risk

Financial risk relates to the possibility of losing money because of the purchase or because of paying inadequate price for the product quality, which could be obtained for lower price somewhere else (Sethuraman & Cole, 1999). Alternatively, it could be conceptualized as the relative financial cost compared to one's financial resources (Vo & Nguyen, 2015). Previous research presents evidence that financial risk associated with private label brands is higher than financial risk of national brands (Mieres et al., 2006), which influences purchase intention. Many consumers employ price-quality association in the decision process. Research (Zielke & Dobbelstein, 2007) reveals that when the price suggested by private label brands is substantially lower (20%), but not low enough (40%), consumers perceive the offer as financially risky. Thus, consumers perceive that the offer does not let them economize substantially and reflects a negative price-quality association. Due to the chance of monetary loss and other potential losses, many consumers prefer to choose pricier national brands over private label brands, as their brands and higher price act as an assurance of higher quality (DelVecchio, 2001).

Financial risk varies across product categories and tends to be higher for more involving and more expensive products (Sethuraman & Cole, 1999). The more expensive the products, the more negative effect financial risk will commonly have on intention to purchase. In the context of cosmetics, a variety of prices is present on the market, starting from very low to very high, depending on the brand and segment.

Table 1

Prices of color cosmetics

Brand	PLB/NB	Price (NOK)
NYX	NB	59
Lindex	PLB	79
H&M, Topshop, KICKS	PLB	99
Maybelling, IsaDora, L'Oréal Paris, Max Factor	NB	119-135
Make Up Store, Urban Decay, MAC, Smashbox	NB	160-180
Clinique, Clarins, Bobbi Brown, Michael Kors	NB	210-240
Lancome, Shiseido, Dior	NB	275-320

Note. PLB refers to private label brands. NB refers to national brands.

Prices of regular lipsticks for the most prominent makeup brands, available in the European market, are summarized in Table 1. Prices (KICKS, 2016; Topshop – Beauty, 2016; H&M – Beauty, 2016) are presented in Norwegian currency due to geography of this thesis. As could be seen from the table, only one national brand is cheaper than private label brands – NYX. Compared to other brands, cosmetics private labels are at least 20% cheaper than national mass cosmetics brands, such as Maybelline and IsaDora. They are substantially cheaper than luxury brands, being around three times cheaper. Consistent with Zielke and Dobbelstein (2010, as cited in Beneke et al., 2012), it could be expected that consumers buying mass market cosmetics products would not consider private label cosmetics as a substantial economizing option, perceiving the purchase to be financially risky. Thus, they might be reluctant to buy cosmetics private label brands. For consumers accustomed to buying expensive cosmetics products financial risk is expected to negatively affect intention to purchase as well. While those consumers might be choosing more expensive options due to higher perceived quality, buying less expensive, but less reliable option might be perceived as a chance to lose money.

H1. Financial risk is negatively related to intention to purchase cosmetics private label brands

Physical risk

Physical risk refers to one's concern that consuming the product may harm the consumer in physical sense (Vo & Nguyen, 2015). Other dimensions of this type of risk include concern that shopping in a concrete store can harm the shopper, as well as notion of physical effort needed for making a purchase (Mitchell, 1998; Schiffman and Kanuk, 2004;). The first dimension is most frequently used for assessing physical risk. For some types of products (groceries) physical risk is argued to be the same as functional risk, as improper functioning of the product may lead to bad consequences for the consumer (Semejin, Van Riel, & Ambrosini, 2004). However, researcher in this study makes a distinction between physical and functional risk, as with color cosmetics physical refers to harming skin, while functional risk refers to not functioning as it was supposed.

Physical risk was found to have a significant negative affect on intention to purchase private label shampoo (Sheau-Fen et al., 2012). Shopping for shampoos, consumers might be concerned about the possible harmful components and direct application of the shampoo on the skull. As cosmetics are somewhat similar to shampoos and are applied directly to the skin, consumers are also expected to be concerned with the use of products with harmful components (Junaid et al., 2013) and with consequences of cosmetics application, such as allergies. While allergies could be caused by cosmetics of national brands as well, consumers might possess higher risk perceptions of the private label brands, which are still generally perceived as having lower quality (Richardson et al., 1994). Therefore, it is hypothesized that concern with possible side effects of cosmetics application lowers intention to purchase private label cosmetics.

H2. Physical risk is negatively related to intention to purchase cosmetics private label brands

Functional risk

Functional (performance) risk is associated with the uncertainty the consumer has regarding the product performance. Forming a certain level of expectations regarding product performance, consumers experiencing functional risk are suspicious about the product quality and its ability to operate as expected. Studies have shown that functional risk hinders purchase of private labels for such categories as, for example, groceries (Beneke et al., 2012) and shampoos (Sheau-Fen et al., 2012).

In private label brands context, research shows that functional risk rises when the product is complex and difficult to produce (DelVecchio, 2001; Semejin et al., 2004). Moreover, functional risk is higher when the category belongs to experience goods, as there is a higher level of uncertainty and ambiguity with assessing how those products will perform (Batra & Sinha, 2000). Similarly, the inability of adequate judgment and lack of information could increase performance risk when consumers buy a product for the first time (Arslan, Gecti, & Zengin, 2013). Finally, interferences about quality and performance are made from external cues such as packaging and price. Therefore, consumers might feel higher functional risk towards private labels with inferior external cues (Zeithaml, 1988).

As cosmetics is a segment driven by innovation, consumers are expected to possess the belief that cosmetics are difficult to produce. Therefore, they might experience higher functional risk, believing the retailer lacks the knowledge to create a properly functioning product. Since cosmetics are used for self-expression and image boosting, which are important for consumers, concerns that the product will not act as expected (e.g. lipstick spreads over the lip contour; pieces of eyeshadow spill) might hinder purchase intention private label cosmetics.

H3. Functional risk is negatively related to intention to purchase cosmetics private label brands

Psychological risk

Psychological risks could be defined as disappointment about making a wrong choice between the available alternatives. Choosing one product over another leads to stress, as one is uncertain about the choice and believes she might be missing out on attributes of another product (Kwon et al., 2008). Deciding to purchase a new brand is also uncomfortable for people, and the threat of making a wrong choice when switching can prevent them from switching at all.

Since there are many alternatives in the cosmetics category, switching costs might increase the hindering effect of the risk on intention to purchase, making it difficult to switch from one alternative to another (Kwon et al., 2008). Additionally, since private label cosmetics are a new alternative for many people, purchasing these brands might be psychologically risky for consumers. Based on this, psychological risk is expected to be negatively related to intention to purchase.

H4. Psychological risk is negatively related to intention to purchase cosmetics private label brands.

Social risk

Social risk reflects the fear that buying a specific product or brand can harm one's image or social status (Zielke & Dobbelstein, 2007). Consumers are especially sensitive to this type of risk when the product is seen by others or consumed in social settings (Zielke & Dobbelstein, 2007). Analyzing prevalence of risks for different categories, Jacoby and Kaplan (1972) found social risk to be highest for products mostly seen by others – namely, for apparel. As argued by Livesey and Lennon (1978), consumers might be using different brands according to the usage situation. In the grocery segment, they found that English consumers serve national brand tea to guests, but are consuming more generic private label brands of tea when others do not observe them. Assessment of the possible social harm highly generally depends on the retailer brand and how accepted it is (DelVecchio, 2001).

If consumers perceive that using private label cosmetics is disapproved by peers and harms their social status, they might be reluctant to purchase private label brands. While some people only apply cosmetics at home, where no one can see them, others also do that in social settings or talk about it with peers. Additionally, there might be situations when one has the need to reapply the cosmetic product in social settings, where the social risk increases. As consumers seek to decrease the risks associated with decisions, higher social risk related to cosmetics private label brands might negatively affect intention to purchase cosmetics private label brands.

H5. Social risk is negatively related to intention to purchase cosmetics private label brands.

Time risk

Time risk relates to the time spent on the processes connected to purchasing and consuming the product, including time starting the decision-making process, physically purchasing it and revealing it does not work (Beneke et al., 2012). There are conflicting views in research on the effect of time risk on intention to purchase private label brands. While some authors claim that private label brands can be an alternative chosen as a quick option to reduce decision-making time (Martinez & Montaner, 2008; Mantel & Kardes, 1999; Zhang, 1996 , as cited in Beneke et al., 2012), others (Beneke et al., 2012) argue for the negative effects of time risk on purchase intention.

Study by Beneke et al. (2012) found that convenience is an important factor for consumers choosing grocery private label brands. Convenience and possibility to save time are also

among factors desirable by cosmetics consumers (Lopaciuk & Loboda, 2013). Generally, potential risk of losing time on purchasing the product, needing to return it or finding it to be useless is negatively evaluated by customers, decreasing intention to purchase. As consumers become more convenience oriented, there are reasons to believe they would seek to buy cosmetics products that will not result as a waste of time. Therefore, it is hypothesized that consumers would be more reluctant to purchase private label cosmetics as perceived time risk increases.

H6. Time risk is negatively related to intention to purchase cosmetics private label brands.

3.4.3 Perceived quality and quality consciousness

The concept of perceived quality "refers to customer's evaluation of a product or a brand that meets an individual's expectation" (May, Yoon & Kim, 2011, p. 273, as cited in Vo & Nguyen, 2015). Important aspect of this factor is that it is a subjective evaluation of quality made by consumer rather than actual objective evaluation. Objective quality refers to the actual superiority of the product that can be measured and verified by comparison to some ideal standards (Zeithaml, 1988). "Perceived quality" is a more abstract global assessment, resembling attitude. A product has higher perceived quality when one evaluates it as having superiority (Zeithaml, 1988).

Perceived quality plays a significant role in the purchase process, and could be related to intention to purchase private label brands, traditionally perceived as having lower quality (Richardson et al., 1996). If the perceived quality is poor, consumer acceptance of private label brands decreases, and so is expected the intention to purchase private label brands (Hoch & Banerji, 1993; Liljander et al., 2009; Mieres et al., 2006; Richardson et al., 1994). Sethuraman and Gielens (2014) find that consumers buy more private label brands when the perceived quality is higher, while the quality variation in the category is lower. Additionally, they assess private label brands better if they perceive them to have positive image and be not risky. Studies by Richardson et al. (1996) and DelVecchio (2001) have also supported the notion that quality variation in category influences choice of a product, where in situations of high quality variation consumers tend to buy national brands.

Richardson et al. (1996) have identified that quality perception is affected by extrinsic cues such as brand name, package design, price, company reputation and others. Additionally, perceived quality is affected by intrinsic cues – those related to the physical characteristics of

the product, such as performance, durability, aesthetics and others (Zeithaml, 1988). When intrinsic cues allow for quality assessment and have predictive value, consumers would use those. They are generally more important in predicting quality, because they contain information about the product and thus allow for assessment of how the product would work. However, when consumers have insufficient knowledge to evaluate intrinsic cues or lacks motivation, ability and opportunity to evaluate intrinsic cues, they use extrinsic cues (Zeithaml, 1988).

Since cosmetics is a category with a wide variation in quality, it could be expected that intention to purchase private cosmetics could be lowered, and that consumers would prefer national brands. The fact that private label brands are often perceived as cheaper alternatives would probably contribute to that choice. However, as cosmetics private label brands are often similar in package quality to national brands, consumers might be forming better quality perception of those private label brands. In addition, more knowledgeable consumers might be better able to assess the quality using intrinsic cues (Zeithaml, 1988). Generally, it is expected that consumers desire high quality in their purchases, and that they will want cosmetics products to ally with their quality standards. Therefore, it is expected that intention to purchase cosmetics private label brands will increase with increased quality perception of cosmetics private label brands.

H7. Perceived quality of cosmetics private label brands is positively related to intention to purchase cosmetics private label brands

Quality conscious consumers are specifically sensitive to the quality of the products they purchase. They are interested in getting the products of high quality and are willing to search for products of high quality (Thanasuta, 2015). According to research by Ailawadi et al. (2001), people choosing private label products are generally not very quality conscious. Research suggests that quality conscious consumers are more likely to choose national brands over private label due to the lower-quality perception associated with private labels (Richardson et al., 1994; Martinez & Montaner (2008). While those studies analyze quality consciousness in food context, there is no reason to believe quality consciousness will not be relevant for cosmetics category as well. Specifically, since cosmetics category is characterized by old brands and brand loyalty, it could be expected that consumers will be more assured of quality of products with familiar and trustworthy brand names. Since the overall quality perception of private labels is lower than perceived quality of national brands (Richardson et al., 1996), it could be hypothesized that quality conscious consumers will have lower intention to purchase private label cosmetics.

H8. Quality consciousness is negatively related to intention to purchase cosmetics private label brands

3.4.4 Perceived value and value consciousness

Zeithaml (1988) describes perceived value as a highly subjective aspect, characterizing the benefits consumers desire to get from the product. Compared to perceived quality concept, Zeithaml (1988) notes it is more abstract, higher-rank and more individualistic. The author marks that perception of value is not universal for each person, rather it differs from context to context. Consumers assess the perceived value through use of two dimensions – tradeoff between give and get. Therefore, consumers might find a more affordable product with lower, but acceptable quality to be more valuable and choose to purchase it.

In the study, Zeithaml (1988) distinguishes between four common value definitions:

- "value is low price", where price is the most prominent characteristic during decision-making;
- "value is whatever I want in a product", where the benefits gotten from the product are the most important. In this case, the desired benefit differs for each individual, depending on what he seeks to get from the experience;
- "value is the quality I get for the price I pay", where consumers willing to get the quality according to the price they are willing to pay;
- "value is what I get for what I give" – comprehends all the relevant "gives" and "gets".

Perceived value is marked as one of the most important drivers of intention to purchase private label brands in different categories, such as apparel and food (Liljander et al., 2009; Beneke & Carter, 2015; Jaafar et al., 2013; Kakkos et al., 2015). Often, literature calls perceived value called "value for money", symbolizing a tradeoff between the benefits gotten and the cost paid. In this study, perceived value will be treated similarly. Customers assess the tradeoff between benefits and costs, and are more willing to purchase if outcome satisfies them in terms of provided value (Beneke & Carter, 2015).

It could be expected that consumers in cosmetics category will be concerned about getting desired benefits from the purchase, which will in terms affect the intention to purchase in a way it does in other product categories (Diallo, Burt & Sparks, 2015). However, the end

goals and the decision-making process might differ. While some consumers might base their purchase decisions on finding a product with good or best quality (Hoch & Banerji, 1993), others would try to find products with lower prices as long as the quality is compatible to higher-priced alternatives (Chen, 2008, as cited in Vo & Nguyen, 2015).

When brands are unfamiliar to consumers or if the risks are high, consumers prefer buying higher-priced alternatives, which signal to them as having higher quality (Zeithaml, 1988). Since cosmetics is a rather new private label category, consumers might question that they would get desired benefits for the price paid (Richardson et al., 1996). However, if consumers perceive private label brands cosmetics to provide good value and be compatible to national brands, they would be more willing to purchase private label brands cosmetics. Therefore, it is hypothesized that perceived value is positively related to intention to purchase private label cosmetics.

H9. Perceived value of cosmetics private label brands is positively related to intention to purchase cosmetics private label brands

Value conscious consumers are those specifically looking for the price-value tradeoff to be received through the transaction (Bao & Mandrik, 2004). Therefore, they are trying not to find the most high-quality product, but a product with desirable quality for desirable price. In their shopping behavior, they perceive a purchase a good value for money only if the lower-priced product also satisfies their value criteria.

According to empirical research, willingness to purchase private labels increases with increases in value consciousness (Garretson et al., 2002; Diallo et al.; 2013 Burton et al., 1998; Jin & Suh, 2005). The average quality of private label brands has increased, while the price level is lower than for national brands. Therefore, for value conscious buyers private labels have become a better alternative than national brands (Diallo et al., 2013). This appeal is strengthened by the way retailers are presenting their private labels – by highlighting the value concept as a central benefit of private label brands (Garretson et al., 2002).

Kwon et al. (2008) find that desire to buy private label brands might differ for consumers with different levels of value consciousness. They find that effect of value consciousness is different for products with “search” and “experience” attributes. When consumers are not very value conscious, they are more likely to try brands with search attributes rather than with experience attributes. Same is relevant for highly value conscious consumers. However,

the difference between intention to purchase for highly value conscious consumers is much lower than for customers with low value consciousness (Kwon et al., 2008).

Cosmetics is a relatively new segment of private labels, with retailers just begin to sell store brand color cosmetics. Combined with the fact that it refers to products with "experience" properties, it might be difficult for consumers to assess the trade-off between benefits and costs in this case. Since it is unknown if consumers perceive private labels cosmetics as an appealing alternative in terms of value and price, it is difficult to predict if the effect of value consciousness will be the same as in previous studies. However, in line with the common belief that private labels provide good value for money, it could be expected that value consciousness is positively related to intention to purchase private label cosmetics.

H10. Value consciousness is positively related to intention to purchase cosmetics private label brands

3.4.5 Price consciousness

Sinha and Batra (1999) define price consciousness as "consumer's reluctance to pay for the distinguishing features of a product if the price difference for these features is too large" (p. 238), emphasizing the tradeoff aspect of the transaction. Consumers with high level of price consciousness are more focused on low prices than on other product features, thus they might be more attracted to private label brands offering competitive prices (Ailawadi et al., 2001). Sinha and Batra (1999) and Lichtenstein, Ridgway and Netemeyer (1993) argue that price consciousness is a very individual trait. While some consumers are generally more sensitive to prices, others are price conscious towards only some categories and situations. Therefore, there are differences in price consciousness not only across individuals, but also across situations for each individual.

Price consciousness often differs by category, where one's price consciousness towards a category is a good predictor of one's actual proneness to buy private label brands in that category (Sinha & Batra, 1999; Glynn & Chen, 2009; Jin & Suh, 2005). Due to price consciousness variation across categories private label brands success also differs across categories, being bigger in categories where customers are more price conscious (Sinha & Batra, 1999). In categories with higher risk levels, consumers tend to be less price conscious (Sinha & Batra, 1999; Bettman, 1974). Instead, they would try to avoid the mistake by buying a more secure option. Other studies compliment this by finding that price

consciousness does not affect desire to buy private label brands in riskier durable categories, unless the level of income is low (Coehlo do Vale, Matos & Caiado, 2015). However, consumers' motivation to find low-cost products is higher when the category contains less risk (Sinha & Batra, 1999). Additionally, consumers are more price consciousness in the categories where they perceive pricing of national brands to be unfair (Sinha & Batra, 1999).

For many categories, desire to buy the cheapest product could act as the main driver of buying private label brands (Batra & Sinha, 2000; Burton et al., 1998). The review by Brazauskaitė et al. (2014) reveals that private label brands buyers are generally price consciousness and can switch to private label brands, being less loyal to national brands. It could be suggested that those consumers who are price consciousness towards cosmetics category would be more willing to purchase private cosmetics, which they will consider a good economizing possibility due to their lower prices. With quite a high price variation in the category (Table 1), consumers might perceive category pricing as unfair, thus being more price conscious in the category and less loyal to national brands. While cosmetics is a category that appears to involve a certain level of perceived risks (Chapter 3.4.2), associated risk level is probably not high enough to compensate over price consciousness. Therefore, it is hypothesized that price consciousness in positively related to intention to purchase private label cosmetics.

H11. Price consciousness is positively related to intention to purchase cosmetics private label brands

3.4.6 Customer innovativeness

Among other factors related to intention to purchase private label brands, Jin and Suh (2005) include the aspect of customer innovativeness in relation to intention to purchase private label brands. Customer innovativeness is a level to which "customer is predisposed to buy new and different products and brands rather than remain with previous choices and consumption pattern" (Jin & Suh, 2005, p.65). In the innovation literature, customer innovativeness is linked to the earlier acceptance and trial of new products (Rogers, 1983). Manning, Bearden and Madden (1995) conceptualize customer innovativeness in two dimensions – independence in making decisions about new products and novelty seeking. The second dimension is closer to the one given by Jin and Suh (2005). It is hypothesized that novelty seekers, not searching for product information and assistance from others, would

be more willing to take a risk in trying new products (Midgley and Dowling, 1978, as cited in Manning et al., 1995).

According to Jin and Suh (2005), customer innovativeness has a greater impact on intention to purchase in countries with shorter history of private label brands. As private label cosmetics are a relatively new concept, compared to private label products in other categories, it could be expected that more innovative customers will be more willing to buy cosmetics private label brands. Less innovative customers, on the other hand, will be reluctant to buy private label cosmetics due to their novelty.

H12. Customer innovativeness is positively related to intention to purchase cosmetics private label brands

3.5 Hypotheses

Based on the presented theoretical chapter, a set of hypotheses were developed, which will be tested in the study. The hypotheses are summarized in the Figure 1 and are given below in the written from.

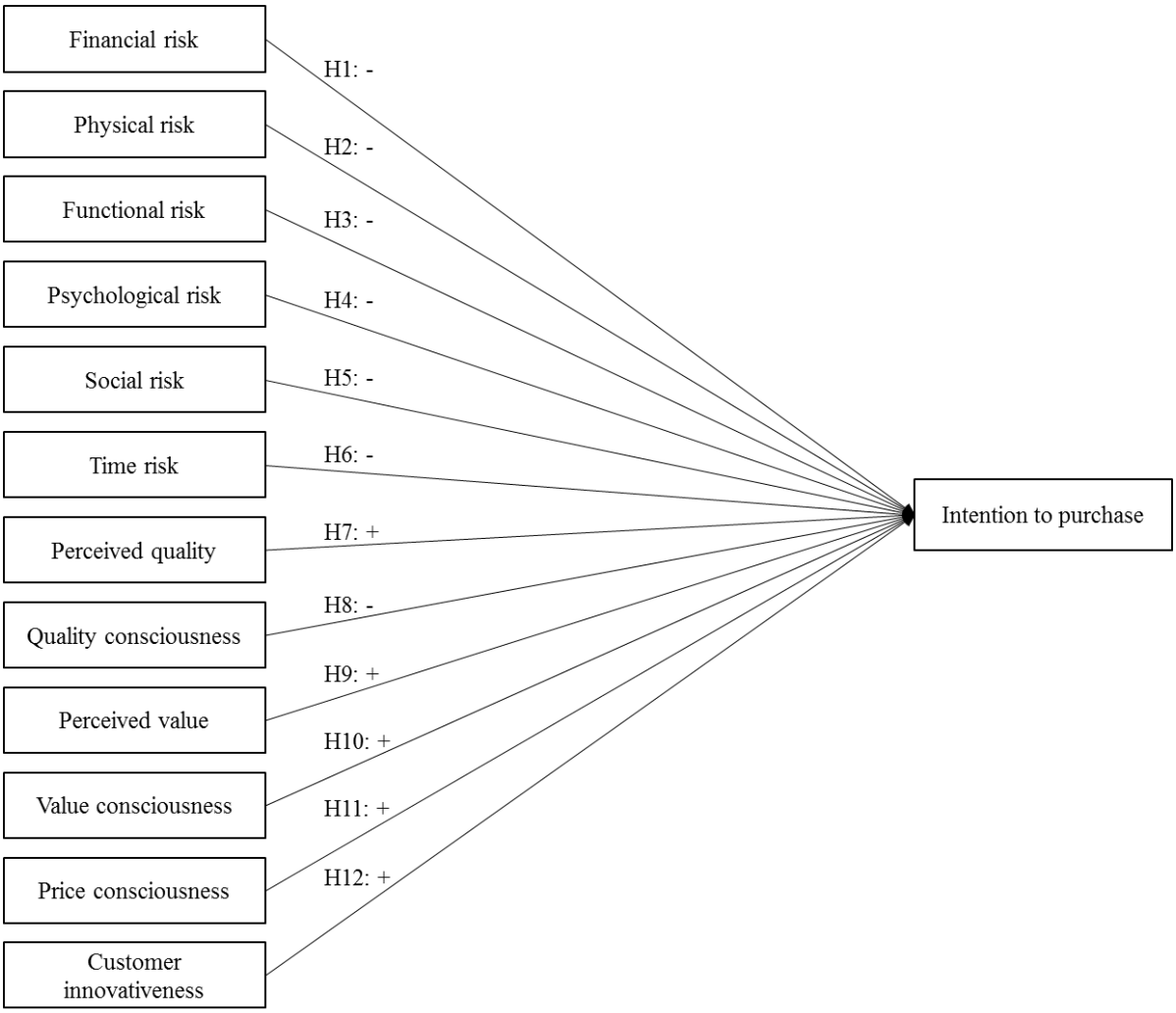

Figure 1 Conceptual framework

H1. Financial risk is negatively related to intention to purchase cosmetics private label brands

H2. Physical risk is negatively related to intention to purchase cosmetics private label brands

H3. Functional risk is negatively related to intention to purchase cosmetics private label brands

H4. Psychological risk is negatively related to intention to purchase cosmetics private label brands.

H5. Social risk is negatively related to intention to purchase cosmetics private label brands.

H6. Time risk is negatively related to intention to purchase cosmetics private label brands.

H7. Perceived quality of cosmetics private label brand is positively related to intention to purchase cosmetics private label brands

H8. Quality consciousness is negatively related to intention to purchase cosmetics private label brands

H9. Perceived value of cosmetics private label brand is positively related to intention to purchase cosmetics private label brands

H10. Value consciousness is positively related to intention to purchase cosmetics private label brands

H11. Price consciousness is positively related to intention to purchase cosmetics private label brands

H12. Customer innovativeness is positively related to intention to purchase cosmetics private label brands

4. Methods

This chapter explains which methodological choices are made to answer the research question and test the hypotheses. The chapter mostly follows methodological approach and sequence suggested by Saunders, Lewis and Thornhill (2012). First, the research approach is discussed (part 4.1). It is followed by discussion of the research design and strategy (part 4.2), description of data collection (part 4.3) and data analysis (4.4).

4.1 Research approach

Saunders et al. (2012) suggest two research approaches based on usage of theory in a research project. They suggest that a research can be either inductive or deductive, where the choice of approach depends on the amount of literature available on the topic. Following the inductive approach, researcher moves from data to theory, developing theories based on the analyzed data. Researcher collects the necessary data, identifies the patterns and develops theories that would enrich the current body on research on the topic. Saunders et al. (2012) note that inductive approach is usually less concerned with generalization and focuses of understanding the happenings in a research context.

Instead, deductive approach suggests that researcher first formulates a set of hypotheses based on existing literature and then tests them. The purpose of deductive approach is to be able to test a theorized relationship between variables. Saunders et al. (2012) highlight that the variables used in the study need to be operationalized, meaning that it needs to be possible to measure them in a way. Additionally, control variables are used in deductive studies to ensure that the study of hypothesized relationship is not disturbed by side factors.

The aim of this study is to test the theory previously proposed by collecting data and analyzing it. Existing theoretical foundation on private labels is adapted to the context of private label cosmetics to create suitable hypotheses. The relationship between perceived risks, product perceptions and customer characteristics and intention to purchase private label brands is tested in a new context, resulting in supporting or not supporting the created hypotheses. The approach of this study is therefore deductive – from data to theory.

4.2 Research design and strategy

Saunders et al. (2012) define research design as a general plan or framework of how researcher is going to answer the research question. The purpose of choosing a research design is to be able to conduct a study capable of answering the questions set by a researcher. Most often three possible categories are identified: exploratory, descriptive and explanatory.

Exploratory research is most suitable when the purpose is to develop and explore the problem and find out in more detail what is happening about the phenomenon. It serves as a mean to clarify the current state of understanding of the problem, specifically when there is limited amount of research on the question. This kind of research is less fixed in nature than other researches, as the direction of the investigation might shift with exploration of new data and insights (Saunders et al., 2012).

Descriptive research serves as a mean to portray a clear profile of people, event or situations (Saunders et al., 2012). As stated by Dumont (2008), descriptive studies refer to descriptive research, as they describe the nature of relationship between the variables, but do not give the explanation of the direction in which they correspond and do not give explanation about cause and effect. The information is collected in natural circumstances, without manipulating the variables, and can give the researcher an idea about data patterns and trends. Explanatory research tries to explain the causal relationship that exists between the variables. Both descriptive and explanatory studies require that the concepts of interest are adequately measured and that the information is complete and accurate (Kothari, 2004). In those studies, the ways research is done should be planned carefully. All the potential biases should be eliminated to ensure that the claimed relation is not disturbed by extraneous variables, which are not controlled for.

Since there is much knowledge developed on the topic of purchase intention and variables used in the study, exploratory research does not suit the purposes of study. This study aims to study the relationship between the variables and find out how they are related to each other in new context. Therefore, deductive or explanatory approaches are more suitable in this case. For explanatory research to present genuine results about some factors influencing others, researcher must choose a research strategy where the variable in question is manipulated. Descriptive research, on the other hand, identifies that the relationship exists,

but does not explain the relationship in detail. In this format, it allows to answer the research question. Considering the constraints of the study as well, descriptive research is identified as suitable for the study. The variables used in the study are rather ambiguous, hard to manipulate (e.g. perceived quality) and observe (intention to purchase is a self-reported variable). Time and money constraints are also in place, since the thesis is written without economic support. As rather time-consuming strategies like experiments usually assume some form of reward for participation, this factor had to be taken into consideration when choosing the research design and research strategy. Additionally, since the thesis is written from Oslo, it was crucial that data could be collected from internet rather than face to face.

4.3 Data collection

Depending on the character of information collection, it could be qualitative and quantitative. Quantitative data collection and analysis refers to the quantifiable, numerical data. Qualitative refers to collection and use of non-numerical data (Saunders et al., 2012). This study will employ quantitative approach. The data is collected through a survey and then analyzed with statistical tools provided by SPSS and SPSS AMOS.

Researcher can make use both of primary and secondary data. Secondary data is the information that is already collected for some other reason (Saunders et al., 2012). This kind of information could exist in forms of raw or complied – or summarized – data. Saunders et al. (2012) mention that secondary data is suitable for some forms of research to answer the research question. However, most studies would require gathering primary data to answer the research question completely, as primary data is being collected specifically for that purpose. In this research, primary data is collected to answer the research question.

Choosing how to conduct a study, researcher can undertake a cross-sectional or longitudinal study. Cross-sectional study refers to a study of state of a phenomenon at a point of time (Saunders et al., 2012). Longitudinal studies, on the other hand, display the change in the events over a period of time. Due to the purpose of the study and study constraints the data for the research is collected at one point at time, thus the study is cross-sectional.

The choice of research strategy for data collection depends on the type of research and the approach used. It should consider the research question, research objectives, the amount of knowledge on the topic and the resources available (Saunders et al., 2012). Saunders et al.

(2012) describe seven types of research strategies: experiment, survey, case study, action research, grounded theory, ethnography and archival research. For deductive approach, surveys are often used, as they allow gaining relevant quantitative information from a wide group of individuals without significant expenses. It also gives researcher ability to code the answers in a standardized format and compare them, as well as explore the relationships between the variables (Saunders et al., 2012). As survey was the most suitable approach to study the research question in the study, survey was employed as research strategy.

Considering the form of the questionnaire, two methods could be undertaken – a structured or an unstructured questionnaire. With a structured questionnaire, all the respondents are faced with the same set of pre-determined questions in the given order (Kothari, 2004). Unstructured questionnaires, on the other hand, allow for variation in the questions asked. Creation of a questionnaire should follow the general rules to ensure that research question could be answered successfully with the use of this instrument. Generally, researcher should try to minimize the size of the survey, making it simple and straightforward and omitting unnecessary questions (Saunders et al., 2012). The questionnaire should follow a logical path, not changing the topic and starting from simpler, not personal questions. General questions should be asked in the beginning of the questionnaire, followed by more specific and more difficult questions (Kothari, 2004).

Questions asked in the questionnaire could be in either open (open-ended) or closed (closed-ended) form. With open questions respondents give their own answers to the questions, while with the closed questions they are choosing the answer from several answer alternatives (Saunders et al., 2012). Researcher should try to minimize the amount of open-ended questions used, as their inclusion complicates interpretation and comparison of information. On the other hand, if the answers cannot be easily interpreted or if the response alternatives do not adequately encompass respondents' opinions, benefit of using closed question fades (Kothari, 2004).

To ensure that the respondents understand the concept of private label brands correctly, a written explanation of terms "private label brands" and "national brands" is present in the beginning of the survey. However, no exact brands were named to ensure that responses are not biased. The questions in the survey are divided into subgroups, each aiming to analyze one factor that might be related to intention to purchase, and contain questions about demographic characteristics of respondents in the end of the questionnaire. To make the data

compatible for further analysis, for similar types of questions respondents are giving answers on the same scale. Existing questions from previous research are used when formulating the survey questions.

4.3.1 Measures

To operationalize the variables, multi-dimensional scales were adapted from the literature. For most questions, 7-point Likert scale was used to estimate the answers. The scale ranges from 1 to 7, standing for "strongly disagree", "disagree", "somewhat disagree", "no opinion", "somewhat agree", "agree" and "strongly agree". The list of all survey questions with question sources could be found in Appendix B. The survey in a way participants saw it is presented in Appendix C.

Purchase intention is one's conscious plan to make an effort to carry out certain behavior (Eagly & Chaiken, 1993), and it is estimated based on one's personal evaluation and self-informing. In this study, it is a dependent variable. To measure the variable "purchase intention" previous research on private label brands purchase intention was used. Specifically, three survey questions were adapted from Dodds, Monroe and Grewal (1991) (e.g. "The likelihood of me purchasing cosmetics private label brands is").

Dimensions of perceived financial, functional and physical risks are measured through statements adapted from Stone and Gronhaug (1993) (e.g. "I am concerned about how reliable cosmetics private brands are"). Measurements for perceived psychological, time and social risks are adapted from Mieres et al. (2006). Three questions for each risk dimension were adapted from the aforementioned sources.

Perceived quality is measured by three statements, adapted from the study by DelVecchio (2001) (e.g. "Private label brands of cosmetics category are of high quality"). Two questions measuring perceived quality are reversed. Three measures for perceived value are adapted from the study by Dodds et al. (1991) (e.g. "I doubt that cosmetics private label brands are very high-grade products").

Next block is concerned with consumer characteristics. To assess value consciousness, three statements from Burton et al. (1998) and Lichtenstein et al. (1993) are adapted to cosmetics context (e.g. "When I buy cosmetics, I like to be sure that I am getting my money's worth"). Three statements measuring price consciousness are also adapte from Lichtenstein et al.

(1993) (e.g. “I generally thrive to buy cosmetics products at a low price”). Out of those, two statements are reversed. Three questions from Ailawadi et al. (2001) serve to assess quality consciousness (e.g. “When I buy cosmetics, I like to be sure that I am getting my money's worth”). Assessment of customer innovativeness is done through three statements from the study by Manning et al. (1995) (e.g. “I frequently look for new products and services”).

In the end of the survey, respondents are asked about their age and country.

4.3.2 Sample

Selected data set has great impact on the robustness of one’s research. As researcher rarely has a chance to study all the items included in the population, she should select a sample that presents the population accurately (Saunders et al., 2012). Saunders et al. (2012) suggest two options for sampling: probability and nonprobability sampling. When choosing a sample, one generally aims to generalize the findings to the population the sample was drawn from. In probability sampling each case has an equal chance of being selected for the study. The key approach for probability sampling is to ensure the randomness of respondents’ choice. The possibility of generalization based on the collected data bases on statistical probability, with the possibility of errors decreasing with the increase in sample size (Saunders et al., 2012).

With non-probability sampling the chances of cases being selected are not known. Although statistical reference to population is not possible with the non-probability sampling, generalization is possible on non-statistical grounds and rather to theory than to the population (Saunders et al., 2012). In this type of sampling, researcher’s subjective judgment is used to select cases.

Although a probability sampling approach would better suit the purposes of the research, non-probability sampling is chosen for practical reasons. As the research is interested in women buying color cosmetics as population, the complete sampling frame would consist of all women buying such cosmetics. Since it is impossible to get access to such a list with all the contacts matching the profile, researcher has to use nonprobability sampling.

Saunders et al. (2012) describe several non-probability sampling techniques: quota, purposive, snowball, self-selection and convenience sampling. Quota sampling bases on choosing the cases in the same proportion as they exist in the population. Purposive

sampling is mostly used for case studies, with researcher choosing special informative cases. Snowball sampling allows to access members of population that are difficult to be identified. In this type of sampling, further cases are identified by asking the previous cases. Self-selection sampling refers to a type non-probability sampling when the individuals are showing desire to participate in a study in response to researcher's open advertising. Finally, convenience sampling bases on obtaining answers from the most easily accessed respondents, where selection is based on the easiness of getting responses (Saunders et al., 2012). This research employs self-selection and convenience sampling. The surveys are distributed through social networks and student emails.

For the non-probability sampling techniques, the rules on the sampling sizes are less strict than for probability sampling. The probability of data being representative increases with the increase in sample size. Stutely (2003, as cited in Saunders et al., 2012) advises to have 30 or more respondents for each category within sample, to ensure normal distribution.

Responses were obtained through email and through Facebook. The condition for participation in a survey was for a respondent to be a user of color cosmetics. Since most makeup consumers are women, females were approached for participation. The emails were sent out to 808 NHH female students, both master and bachelor. Additionally, 245 women were invited to the Facebook event, providing the link to survey and explanation of the task. 246 email recipients opened the e-mail, 87 of those started the survey, and 48 surveys were completed. 112 complete responses were generated through Facebook. The overall number of people attempting to complete the survey, gathered both through email and Facebook event, was 258. However, only 160 of those contained complete answers and were adequate for use in analysis. Responses lacking information throughout the questionnaire, except information regarding age and country of residence, were excluded. The completion rate of the questionnaire is 63,4%, and the response rate is 14,8%.

4.4 Data analysis

Once all the information is collected, it must be formatted in order to transfer it into SPSS and SPSS AMOS, where it is analyzed with the use of statistical tools. Most answers in the survey are in form of categorical data, meaning that the number shows belonging to the category (Saunders et al., 2012). As categorical data of dissimilar nature is difficult to compare, the same scale is used for similar questions, where standardization of the data

allows for adequate comparison. It is argued in statistical literature if the data collected by Likert-scaled questions could be treated as interval, where it is possible to assess distance between the answers or range them. It is conditionally the same distance between answer options, therefore, the scale is treated as an interval. The analysis starts with validating the model's validity and reliability. Calculation of Cronbach's Alpha enables assessing reliability, and validity could be tested by confirmatory factor analysis.

Structural equation modelling is a technique that is used to test the proposed model. This method is appropriate, as the latent constructs are used in the study. They cannot be measured directly, but are rather measured through a set of observed variables, indicating the state of a latent variable. The method also improves the accuracy of measurement of the theoretical concept, as the measurement error could be reduced by inclusion of multiple measurement items (Hair, Black, Babin, & Anderson et al., 2009). As a single question could leave a room for individual interpretation, measuring a concept with several items helps better capture the concept.

Structural equation modelling allows researchers to put a set of relationships to a test. It requires a theoretical foundation to specify the relationships proposed in the model. SEM could be used to infer the causal relationship between the dependent and independent variables, but a researcher cannot conclude causation based solely on discovered dependency (Hair et al., 2009).

4.4.1 Assuring validity and reliability

Reliability relates to the extent to which research results are consistent over time and give an accurate representation of total population studied. If the results can be reproduced using similar methodology, the research instrument is considered reliable (Joppe, 2000). Participant error, participant bias, observer error and observer bias oppose a threat to reliability of a study. Sometimes in research contexts respondents alter their responses (Robson, 2002). In surveys respondents might be encouraged to alter their responses due to timing of the survey. When research is conducted by two or more researchers, the questioning style and interpretations might also affect the reliability of the survey. In case of survey used in this research observer error is unlikely, because an online survey is conducted, and only one researcher is involved in interpreting results.

Saunders et al. (2012) suggest three methods to ensure reliability of the questionnaire: test re-test, internal consistency and alternative form. Test re-test suggest collecting same information from the same set of respondents twice, which is not considered in the study. Internal consistency allows to measure consistence of responses across the survey, which is done by calculating Cronbach's alphas. For longer questionnaires, it is also advised to include questions asking the same thing, but formulated differently.

Validity determines whether the research truly measures what it was ought to measure (Joppe, 2000). Internal validity concerns the ability of the questionnaire to certainly represent the reality of the measured phenomenon. Threats to validity oppose history, testing, instrumentation, mortality and maturation (Robson, 2002). As consumers are affected by news on products and services, one should avoid executing a survey after for example a major product recall as this would likely affect the research. In the case of this survey certain news about private label brands could alter the results in ways that would endanger the validity of the study, however, that did not happen. The survey is also tested on a smaller group of respondents prior to final distribution to avoid misleading questions and to ensure that the precise required data is collected through the survey. Specifically, 4 people reviewed the questionnaire before publishing, and several questions were reformulated based on their feedback. As mortality and maturation mostly relate to longitudinal studies, they should not oppose a risk on this study. However, researcher tried to minimize mortality by informing participants about the length of the survey and its progression.

Questionnaires are often concerned with content, criterion-related and construct validity. Content validity refers to the extent the questions of the survey cover the constructs and topic researcher is interested in. To ensure construct validity of the study, questions were carefully made and adapted based on the literature review.

Criterion-related validity refers to predictive ability of the questions asked. The questionnaire is aiming to analyze consumers' intention to purchase. It is a self-reported factor that does not have a direct outcome on its own, meaning that one's intention to make a purchase indicates the desire to make a purchase, but does not mean that the purchase will be made. It is, however, used as a good predictor of the actual buying behavior. Therefore, it is hard to assure criterion-related validity in this study, as the concept does not have a real expression.

Construct validity concerns how well the questions can measure the presence of constructs researcher is interested in measuring (Saunders et al., 2012). Since the questions are adapted from reliable studies measuring same constructs, it could be expected that the construct validity of the survey is high.

External validity refers to the ability to make a generalization based on the study. Since the study employs convenience sampling, the extent of the external validity of the study is not high. The findings therefore could not be statistically generalized.

5. Results

This chapter discusses the findings extracted from the questionnaire analysis using SPSS and SPSS AMOS. The questionnaire was self-reported, where respondents were stating their opinion regarding their makeup-related behavior. This chapter presents normality assessment (part 5.1), measurement scale testing (part 5.2), assessment of the model fit (part 5.3), multicollinearity assessment (part 5.4), descriptive statistics (part 5.5) and the results of hypotheses testing (part 5.5).

The final sample size used in for the analysis is 156 respondents. Four cases were cut from the sample because they were proven to be univariate outliers. For structural equation modelling, the sample size of 100-150 observations is recommended. Some authors state the higher necessary sample size of 200 to perform path analysis (Kline, 2011). However, Hair et al. (2009) suggest that valid results could be achieved with sample size of 50 respondents, using the maximum likelihood method. The sample size complies with the 100-150 observations requirement; thus, the number of cases satisfies the criteria.

5.1 Normality assessment

The assumption of multivariate normality needs to be satisfied in order to proceed with the factor analysis and SEM. Skewness and kurtosis are normally used for the normality assessment (McDonald & Ho, 2002). Skewness reflects the asymmetry in the variable distribution. When the data is positively skewed, it means that many answers are concentrated on the left to the mean, and negative skewness indicates concentration of answers on the right to the mean. Kurtosis reflects the peakedness of the distribution, where positive high value of kurtosis stands for data with high peaks and negative high value denotes a flat curve. The highest skewness was found for value consciousness indicators (-1.087 for valcon1, -1.090 for valcon2 and -1.254 for valcon3) and social risk (1.277 for socr2 and 1.065 for socr3). Kurtosis was the highest for socr2 (1.488), followed by valcon3 (1.184) and valcon1 (1.167). Deciding on which items could be problematic because of non-normality, values greater than 3 for skewness and 10 for kurtosis were used as cutoff points (Chou & Bentler, 1995). The analysis revealed no such items.

To test for possible univariate outliers in the data, Z-scores were used for each case. Z-score reflects the difference between the case and mean, divided by standard deviation. The generated Z-scores were compared to the ±3.29 value (Field, 2009). Four cases with values exceeding the 3.29 value were deleted. After these manipulations, the sample size contained 156 cases, and no further transformations were necessary.

5.2 Measurement scale testing

The questionnaire measures the existence of the latent variables, that are measured through observed variables, often used in similar research. For each construct, the minimum level of three variables was used, where each set of questions was adapted from academic literature on the topic. While those sources often use more than three observed variables for a construct, it was decided to limit the number of questions to the minimal required to avoid respondents' dropout. Since the derived latent variables are unobserved constructs, the scaling for them was done by using a reference variable. This was done by setting the scale to be the same as that of an observed variable with the highest factor loading for the latent variable (Bartholomew, Steele, & Galbraith, 2008). Reliability and validity are necessary conditions of the data analysis. To test reliability and validity of the questionnaire, SPSS and SPSS AMOS instruments were used.

In structural equation modelling, there are two variants of how the data could be displayed: as a measurement model and as a path model. The path model describes the dependent relationship between the latent factors. The measurement model assesses the loading of the observed factors on the latent variables, and could be used as a confirmatory factor analysis model (McDonald & Ho, 2002). With using the confirmatory factor analysis method instead of exploratory factor analysis, the researcher initially builds a model based on the theoretical background, and then checks if the factors are loading as supposed (Appendix D).

Prior to running factor analysis, a researcher needs to check if the data and sampling are appropriate for factor analysis, which could be done by running the Bartlett's Test of Sphericity and checking Keiser-Meyer-Olkin Measure of Sampling Adequacy (KMO) in SPSS. Bartlett's Test of Sphericity was significant ($p = 0.000$), and KMO was .841. When the Bartlett's Test of Sphericity is significant and KMO is close to the value of 1, it means that data is adequate for factor analysis (Walker, 2012). As the data satisfied the criteria, confirmatory factor analysis using the measurement model was run. The factor loadings for

all the variables, as well as Cronbach's alphas, composite reliability (CR) and average variance extracted (AVE) are presented in the Table 2.

Table 2

Summary of factor loadings, Cronbach's Alphas, composite reliability and average variance extracted

Dimension	Item	Loading	α	CR	AVE
Intention to purchase	int1	0.892	0.942	0.943	0.847
	int2	0.929			
	int3	0.939			
Financial risk	fin1	0.732	0.847	0.854	0.661
	fin2	0.852			
	fin3	0.850			
Functional risk	funr1	0.857	0.928	0.930	0.817
	funr2	0.933			
	funr3	0.920			
Physical risk	physr1	0.882	0.941	0.943	0.846
	physr2	0.973			
	physr3	0.902			
Social risk	socr1	0.893	0.950	0.951	0.865
	socr2	0.986			
	socr3	0.909			
Psychological risk	psycr1	0.848	0.833	0.849	0.653
	psycr2	0.752			
	psycr3	0.822			
Time risk	timer1	0.830	0.891	0.894	0.738
	timer2	0.890			
	timer3	0.856			
Perceived value	perval1	0.761	0.744	0.740	0.488
	perval2	0.631			
	perval3	0.698			
Perceived quality	perqual1	0.803	0.866	0.870	0.693
	perqual2	0.755			
	perqual3	0.929			
Value consciousness	valcon1	0.649	0.694	0.698	0.437
	valcon2	0.726			
	valcon3	0.602			
Price consciousness	pricecon1	0.884	0.795	0.806	0.586
	pricecon2	0.600			
	pricecon3	0.786			
Quality consciousness	qualcon1	0.846	0.897	0.899	0.749
	qualcon2	0.856			
	qualcon3	0.893			
Customer innovativeness	innov1	1.084	0.529	0.695	0.534
	innov2	0.654			
	innov3	0.050			

Literature suggests rejecting the factors with factor loading lower than 0.4 (Walker, 2012) or factors with loadings lower than 0.5 (Hair et al., 2009). The results suggest that all the items are loading well on the variables. Customer innovativeness, however, is a problematic construct. The item innov3 shows a low loading of 0.050, and the item innov1 is higher than one (1.084) with a negative variance of -0,451. This indicates the presence of a Heywood case, where the construct is not represented by enough heavily loaded factors (McDonald, 1985). The problem must have arisen due to the presence of the innov3 item, which leaves only 2 observed factors to define the construct. Even though SPSS indicates that the construct's reliability will be improved if the innov3 is deleted, the Heywood case persists, leading to inadmissibility of the solution. Therefore, it was decided to delete the construct "Customer innovativeness" from the model and proceed without it.

Internal consistency of a variable, constructed of several indicators, is represented by Cronbach's alpha. It provides information of how reliable the result of scaled items is, where the values closer to 1 indicate high reliability and show that the set of indicators measures the same thing (Hair et al., 2009). Generally, the value of 0.7 is used as a cut-off point for Cronbach's alpha, but values from 0.6 are accepted by some authors (George & Mallery, 2003). Cronbach's alpha was acceptable for all the variables except customer innovativeness (0.529). The values range from 0.694 to 0.95. The variables value consciousness and perceived value have somewhat lower Cronbach's alpha than other variables (0.694 and 0.744). As all the scales have proved to have acceptable internal consistency, those could be used in the further analysis. While reliability is required to proceed with the analysis, it alone does not guarantee the accuracy of measurement. Validity must be ensured as well (Hair et al., 2009).

Other indicators that should be checked to prove the validity of the measurement are convergent and discriminate validity. Convergent validity represents relatedness of the items within the construct. To assess the convergent validity, average variance extracted and composite reliability are calculated for each variable. AVE (average variance extracted) value must be more or equal to 0.5, as lower value would question the validity of the construct. It would mean that the variance captured is lower than the variance due to measurement error (Fornell & Larcker, 1981). However, Fornell and Larcker (1981) admit that convergent validity could be achieved if the composite reliability of the concept is within the acceptable range, even in the presence of lower AVE. The cut-off level for

composite reliability is 0.7. Therefore, since the composite reliability value for all the variables is higher than or close to 0.7 (0.698 for "Value consciousness"), convergent validity could be concluded.

Discriminate validity means that the construct could be distinguished from other constructs. To assess discriminate validity, one has to compare the square root of AVE for each construct with the correlation between constructs. If the square root of AVE is higher than the correlation level, it could be concluded that discriminate validity is confirmed (Hair et al., 2009). The Table 3 below illustrates these numbers for the variables in the study, where the number on the diagonal is a square root of AVE, and the numbers below are the correlations between the factors. Based on the table, it is concluded that discriminate validity is achieved, and it is concluded that constructs are distinct.

Table 3

Test of discriminate validity

	Phys. risk	Intention	Quality cons.	Price cons.	Value cons.	Perc. quality	Perc. value	Time risk	Psych. risk	Financ. risk	Funct. risk	Social risk
Physical risk	0.920											
Intention	-0.502	0.920										
Quality cons.	0.102	-0.169	0.865									
Price cons.	0.064	0.075	-0.260	0.766								
Value cons.	-0.089	0.143	0.218	0.167	0.661							
Perceived quality	-0.429	0.499	0.012	-0.012	0.006	0.832						
Perceived value	-0.328	0.464	0.031	0.055	0.367	0.279	0.699					
Time risk	0.480	-0.469	0.113	0.052	0.021	-0.499	-0.310	0.859				
Psych. risk	0.496	-0.456	0.094	0.043	-0.034	-0.519	-0.197	0.608	0.808			
Financial risk	0.519	-0.584	0.066	0.003	0.147	-0.658	-0.461	0.598	0.546	0.813		
Functional risk	0.546	-0.570	0.053	0.032	0.118	-0.695	-0.340	0.717	0.636	0.775	0.904	
Social risk	0.265	-0.266	-0.050	-0.018	0.034	-0.348	0.018	0.221	0.629	0.278	0.306	0.930

5.3 The model fit

A researcher needs to measure the fit of the model to indicate the model's predictive accuracy (Hair et al., 2009). Model fit compares the correctness of researcher's theory by comparing the estimated covariance matrix to reality. Several indicators can describe the model fit. The ones often employed in studies are relative Chi-square ($\chi 2/df$), Comparative Fit Index (CFI) and Root Mean Square Error of Approximation (RMSEA) (Kline, 2011). Relative Chi-square is less influenced by the sample size, and is considered acceptable if the value is less than 2-3 (Carmines & McIver, 1981). First, the measurement model's (Appendix D) fit has to be assessed. The Chi-square is 854.392, with 529 degrees of freedom and $p = 0.000$. This results in the relative Chi-square of 1.615, which indicates acceptable fit. CFI is acceptable if the value is higher than 0.9. Being 0.925 in the model, the CFI value indicates acceptable fit. RMSEA indices under 0.05 are considered a "good fit", and those under 0.08 are considered an "acceptable fit". With the value of 0.062, the RMSEA of the model indicates acceptable fit. The significance of Chi-square is also used to assess the absolute model fit, where insignificance indicates fit. Hair et al. (2009), however, notice that Chi-square significance test is affected by many factors, resulting in questionability of the test. For models with samples of less than 250 observations and more than 30 observed values, they suggest that significant p-values are expected. Therefore, while the Chi-square is significant in the current model, other fit indicators suggest an acceptable fit, and the model is judged as having acceptable fit to the data.

5.4 Multicollinearity assessment

It is desirable that the independent variables are not highly correlated. Multicollinearity affects the accuracy of prediction. High correlation between the variables makes it difficult to exclude the influence of other factors on the relationships. On the contrary, lack of collinearity enables the reproduction of conditions close to experimental, and thus allows for a more certain causal inference (Hair et al., 2009).

High correlation was found between financial and functional risk (0.775), time risk and functional risk (0.717), psychological and social risk (0.629), psychological and functional risk (0.636). Moreover, high correlation was revealed between perceived quality and functional risk (-0.695) and perceived quality and financial risk (-0.658). Extreme correlation

is identified if the correlation is close to the value of 1. While Hair et al. (2009) suggest substantial collinearity when the correlation is 0.9 or above, Berry and Feldman (1985) suggest using 0.8 as a cutoff point for factor correlation. While discovered correlations are relatively high, they satisfy the criteria, and thus none variables were excluded. It is also necessary to notice that high correlation between the perceived risks criteria is explained by the literature. Literature suggests that there is no reason for six dimensions of risk to be independent as they all could be used to explain the risk construct (Stone & Grønhaug, 1993).

5.5 Descriptive statistics

The final structural model (Appendix E) fit was tested. It was discovered that the model fit is acceptable. The Chi-square is 868.818, with 576 degrees of freedom and p = 0.000. The relative Chi-square, $\chi 2/df$ = 1.508, CFI = 0.923, RMSEA = 0.057. The final model is recursive, meaning that the relationships are not cyclic and are moving in one direction only. The model is shown to be identified, which means that all the model parameters are identified (McDonald & Ho, 2002).

The descriptive statistics are presented in the Table 4 below.

Table 4

Summary of descriptive statistics

Variable	N	Min	Max	Mean	Std. Dev.	Variance	Skewness		Kurtosis	
	Statistic	Statistic	Statistic	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic	Std. Error
valconl	156	3	7	5.81	1.010	1.021	-1.087	0.194	1.167	0.386
valcon2	156	1	7	5.34	1.416	2.006	-1.090	0.194	0.759	0.386
valcon3	156	1	7	5.54	1.341	1.799	-1.254	0.194	1.184	0.386
qualconl	156	2	7	5.53	1.272	1.618	-0.892	0.194	0.378	0.386
qualcon2	156	1	7	5.03	1.511	2.283	-0.442	0.194	-0.799	0.386
qualcon3	156	1	7	4.56	1.529	2.338	-0.233	0.194	-0.817	0.386
priceconl	156	1	7	3.93	1.516	2.298	0.222	0.194	-1.099	0.386
pricecon2	156	1	7	3.53	1.425	2.031	0.192	0.194	-1.006	0.386
pricecon3	156	1	7	3.90	1.599	2.557	0.026	0.194	-1.107	0.386
perquall	156	1	7	3.63	1.230	1.512	0.111	0.194	-0.569	0.386
perqual2	156	1	7	3.78	1.316	1.733	0.307	0.194	-0.369	0.386
perqual3	156	1	7	3.61	1.375	1.891	0.433	0.194	-0.761	0.386
pervall	156	1	7	4.48	1.127	1.271	-0.704	0.194	0.366	0.386
perval2	156	2	7	4.55	1.230	1.513	-0.520	0.194	-0.534	0.386
perval3	156	2	7	4.23	1.052	1.108	-0.038	0.194	-0.179	0.386

Table 4 Continued

Variable	N	Min	Max	Mean	Std. Dev.	Variance	Skewness		Kurtosis	
	Statistic	Statistic	Statistic	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic	Std. Error
finrl	156	1	6	3.53	1.236	1.528	0.055	0.194	-0.721	0.386
finr2	156	1	7	3.61	1.332	1.775	0.086	0.194	-0.770	0.386
finr3	156	1	6	3.65	1.357	1.841	0.007	0.194	-0.984	0.386
funrl	156	1	7	4.40	1.471	2.165	-0.357	0.194	-0.625	0.386
funr2	156	1	7	4.48	1.457	2.122	-0.462	0.194	-0.562	0.386
funr3	156	1	7	4.59	1.409	1.985	-0.515	0.194	-0.478	0.386
physrl	156	1	7	3.79	1.634	2.671	0.122	0.194	-1.090	0.386
physr2	156	1	7	3.87	1.625	2.642	0.192	0.194	-1.025	0.386
physr3	156	1	7	3.70	1.596	2.547	0.167	0.194	-1.031	0.386
socrl	156	1	6	2.26	1.158	1.340	0.975	0.194	0.457	0.386
socr2	156	1	6	2.13	1.170	1.369	1.277	0.194	1.448	0.386
socr3	156	1	5	2.04	1.053	1.108	1.065	0.194	0.464	0.386
psycrl	156	1	5	2.33	1.188	1.411	0.942	0.194	-0.005	0.386
psycr2	156	1	7	3.35	1.585	2.512	0.232	0.194	-1.130	0.386
psycr3	156	1	6	2.63	1.364	1.859	0.780	0.194	-0.332	0.386
timerl	156	1	7	3.72	1.556	2.420	0.011	0.194	-1.156	0.386
timer2	156	1	7	4.24	1.559	2.431	-0.372	0.194	-0.928	0.386
timer3	156	1	7	4.46	1.538	2.366	-0.507	0.194	-0.808	0.386
intl	156	1	7	3.60	1.318	1.738	0.220	0.194	-0.472	0.386
int2	156	1	7	3.86	1.307	1.709	0.019	0.194	-0.579	0.386
int3	156	1	7	3.62	1.403	1.967	0.059	0.194	-0.695	0.386
Age:	156	19	58	30.41	10.032	100.644	1.393	0.194	0.764	0.386
Valid N (listwise)	156									

The respondents of the survey are women from 21 different countries. The majority of respondents are Russian (47.5%), followed by Norwegian (30.2%), while other countries are represented by 1-3 cases each. The age of respondents varies from 19 to 58, with the mean age being 30.6 years. The age distribution was dominated by women in age range of 23-25 years. All the respondents use color cosmetics, which was the prerequisite for participating in the survey.

The answers indicate that the respondents are generally value conscious, as the mean for the indicator questions ranges from 5.34 to 5.81, corresponding to answers “Somewhat agree” and “Agree”. This distribution is skewed. While the answers vary, most responses strongly correspond to the higher values of the scale. 49.4% respondents stated that they agree that they try to maximize the quality for the money they spend (valcon1); 36.5% expressed agreement with the statement that they check prices at the store to be sure to get the best

value for money (valcon2). Finally, 45.5% agree and 21.2% strongly agree that they like being sure they are getting their money's worth (valcon3).

People are also mostly quality conscious, with the mean value for three statements 5.53 (standard deviation 1.27), 5.03 (standard deviation 1.51) and 4.56 (standard deviation 1.53). 27.6% of respondent somewhat agree and 19.2% agree that they always buy the best-quality cosmetics (qualcon3), and 27.6% agree that they will not give up high quality for a lower price (qualcon2). Additionally, 27.6% somewhat agree, 32.7% agree and 24.4% strongly agree with the statement that it is important for them to buy best-quality cosmetics products (qualcon1).

Mean values for price consciousness range from 3.53 to 3.92, which could be an indicator that the respondents are moderately price conscious, as 7 would be an indicator of high price consciousness. There, 27.6% disagreed and 19.2% somewhat disagreed with the statement "I generally strive to buy cosmetic at a low price" (pricecon2). Only 8.3% indicated that they agree and only 0.6% (1 response) strongly agreed with the statement. 34.6% somewhat agreed and 15.4% agreed that they are not willing to put in extra effort to find lower prices (pricecon1), and 17.3% agree that they would never shop at more than one store to find lower prices (pricecon3). However, around the same number of respondents (17.9%) disagree with the statement that they would never shop at more than one store to find lower prices.

Perceived quality of private label cosmetics shows mean values ranging from 3.6 to 3.78, indicating somewhat low perceived quality of private label cosmetics on the scale from 1 to 7. 26.3% agree and 23.7% somewhat agree that they doubt the quality of private label cosmetics (perqual3), and 19.2% disagree and 24.4% somewhat disagree that the quality of this kind of products is high (perqual1). Around 30% of the respondents, however, neither agree nor disagree with the statement that private label cosmetics are of high quality (pequal1). 30.8% also neither agree nor disagree that private label cosmetics are inferior to national brands (perqual2). However, the majority (43.5%) indicates some level of agreement with the statement (1.9% strongly agree, 14.7% agree and 26.9% somewhat agree), compared to a smaller fraction (25.6%) of those expressing disagreement (12.8% somewhat disagree, 10.9% disagree and 1.9% strongly disagree).

Mean value for the items measuring perceived value ranges from 4.23 to 4.55. This variable is somewhat skewed, with the answers concentrated closer to the top of the scale. 45.5% somewhat agree that cosmetics private labels are good value for money (perval1), 30.8% somewhat agree and 25% agree that they are very economical (perval2), and 25% somewhat agree that cosmetics private labels appear to be a bargain (perval3). For these questions, a high share of the sample cannot agree or disagree with the statements (23.7% for the perval1, 24.4% for preval2 and 41.7% for perval3).

The mean for questions defining financial risk varies from 3.53 (standard deviation 1.27) to 3.65 (standard deviation 1.36). This shows that financial risk perception varies within respondents, with the answers being more concentrated in the lower part of the scale.

Functional risk has the highest mean within perceived risks, with mean ranging from 4.4 to 4.59. 28.8% somewhat agree and 19.2% agree that they are concerned about how reliable the cosmetics private label brands are (funr1). 29.5% somewhat agree and 22.4% agree that they are concerned the products will not provide the expected benefits (funr2). 30.1% somewhat agree and 25% agree that they worry whether the products will perform as well as they are supposed to (funr3).

Physical risk's mean ranges from 3.7 to 3.87. For this variable, the percentage of those in the lower part of the scale is approximately the same as in the higher part of the scale.

Social risk variable has the lowest mean value for the indicator questions. The mean values range from 2.04 to 2.26. The distribution is skewed, showing that the majority indicate low level of social risk in the context of private label cosmetics. 26.9% strongly disagrees and 44.2% disagrees that buying private label cosmetics may negatively affect what others think of them (socr1). Similarly, 32.7% strongly disagrees and 41.7% disagrees with the statement that others would not see the way they want them to if they buy private label cosmetics (socr2). Considering the statement that others may look down on one if she buys a cosmetics private label brand (socr3), 34% respondents strongly disagree and 44.9% disagrees.

Mean value for questions describing psychological risk is also quite low, being in the range from 2.33 to 3.35. The lowest mean value corresponds to the statement "buying a cosmetics private label would make me feel uncomfortable with myself" (psycr1), where 23.1% strongly disagree with the statement and 48.1% disagree. The mean is 2.63 for the statement "Cosmetics private label brands do not fit well with the concept I have of myself" (psycr3)

(18.6% strongly disagree and 42.3% disagree). The mean is higher (3.35) for the statement “I am afraid I will make a poor choice if I buy cosmetics private label brand” (psycr2).

Mean values for the variable “time risk” ranges between 3.72 and 4.46. The skewness for the questions is within the normative values, which means that the answers are normally distributed.

The questions indicating purchase intentions have means of 3.60 (standard deviation. 1.32), 3.86 (standard deviation 1.31) and 3.63(standard deviation 1.40). 16.7% indicate that the likelihood of them purchasing cosmetics private label brands (int1) is low, 30.8% state that it is somewhat low, 21.8% state that it is neither low nor high and 6.4% say it is high. The probability that they would consider buying cosmetics private labels (int2) is low for 12.8%, somewhat low for 26.3%, neither low nor high for 24.4% and high for 9%. 5.8% indicate that their willingness to buy cosmetics private labels (int3) is very low, 18.6% say it is low, 23.1% says it is somewhat low, 23.1% neither agrees nor disagrees and 21.2% state it is somewhat high. Only 7.1% state it is high and 1.3% state it is very high.

5.6 Hypotheses testing

The use of structural equation modeling was adequate for testing all the hypotheses. Effect of eleven latent variables, each constructed of three observed variables, was investigated on the construct “Intention to purchase”, also comprised of three observed variables. Two control variables – age group and country - were used in the study to ensure that there are no spurious relationships discovered. This means that the possibility of discovered results being driven by some other factors, not included in the model, is reduced. Inclusion of control factors did not change the significant relationships and did not significantly change the model fit. The Figure 2 illustrates the explored relationships, and the SPSS AMOS output could be found in Appendix F.

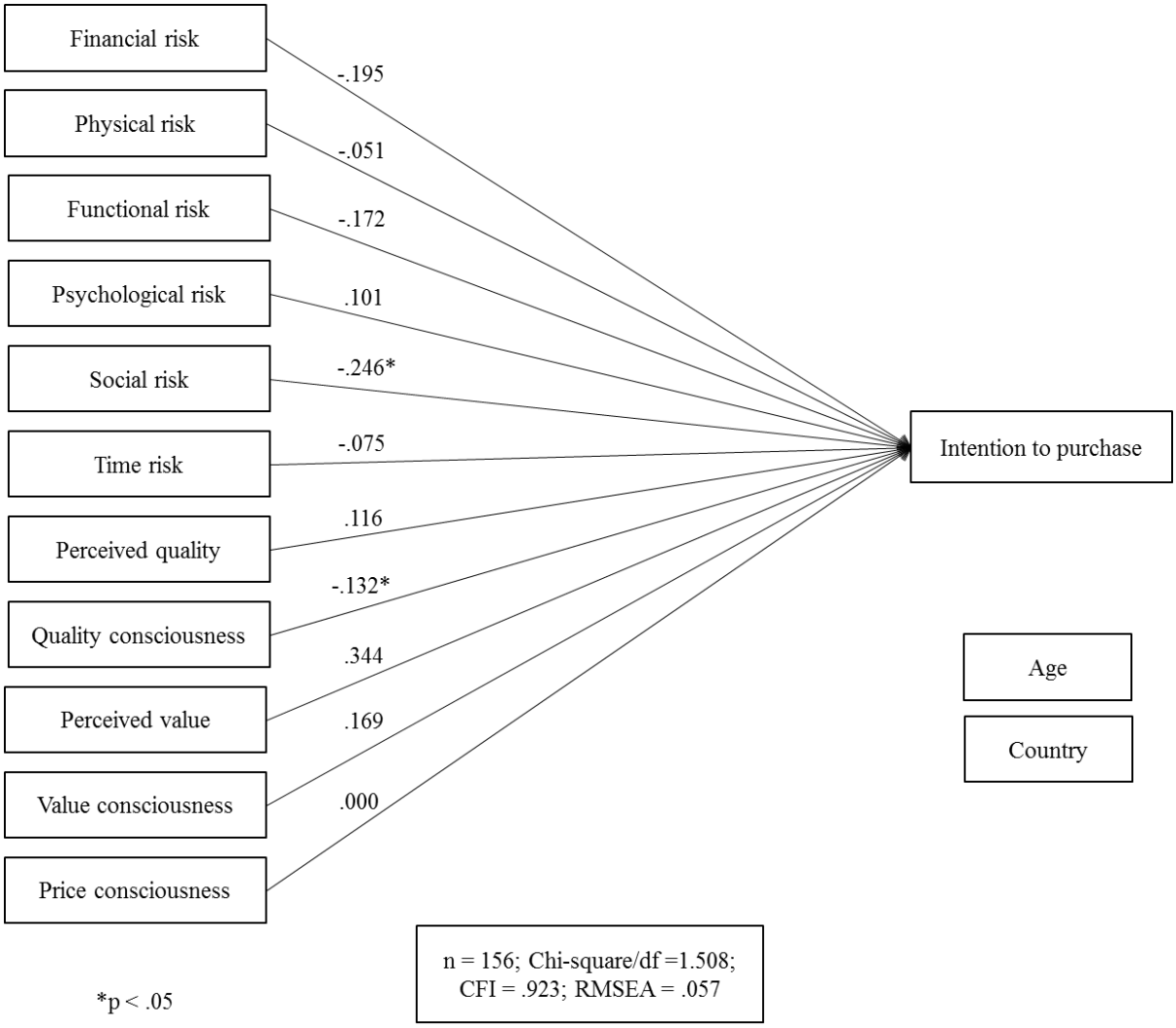

Figure 2 Graphical illustration of results

Two relationships were found to be significant at the level of 0.05: relationship between social risk and intention to purchase and relationship between quality consciousness and intention to purchase. The hypothesis 5 and hypothesis 8 were confirmed in the study. This indicates that intention to purchase decreases by 0.233 points when social risk increases by one point. Similarly, intention to purchase decreases by 0.159 points when quality consciousness increases by 1 point. The R^2 of the endogenous variable "Intention to purchase" is 0.510. While significant effect is found, relatively low path coefficients indicate that the factors' effect is relatively weak. Unfortunately, no statistical significance was found for other relationships in the study. Control variables "Age group" and "Country" do not affect the discovered relationship. Before inclusion of control variables, social risk has a significant direct effect on intention to purchase (β = -0.230, $p < 0.05$), and quality

consciousness also has a direct effect on intention to purchase ($\beta = -0.182$, $p < 0.05$). While there happens a change in regression weight for social risk (-0.003) and quality consciousness (+0.023) with inclusion of control variables, no factors are changing from being significant to insignificant and from insignificant to significant.

H1. Financial risk is negatively related to intention to purchase cosmetics private label brands

With a critical ratio of -1.137 and p-value of 0.256, hypothesis H1 is rejected at the 5 per cent significance level ($\beta = -0.187$, $p > 0.05$). Thus, in the study financial risk does not have a direct negative effect on intention to purchase cosmetics private label brands.

H2. Physical risk is negatively related to intention to purchase cosmetics private label brands

The model indicates that the intention to purchase cannot be predicted by physical risk, as the critical ratio is -0.820 at p-value 0.412. At the 0.05 level the regression weight of physical risk on intention to purchase is not significantly different from zero ($\beta = -0.070$, $p > 0.05$), and the hypothesis H2 is thus rejected.

H3. Functional risk is negatively related to intention to purchase cosmetics private label brands

Hypothesis H3 is rejected at 5 per cent significance level, as the critical ratio is -1.342 with p-value of 0.180. It is concluded that financial risk does not have a direct effect on intention to purchase private label cosmetics brands ($\beta = -0.202$, $p > 0.05$).

H4. Psychological risk is negatively related to intention to purchase cosmetics private label brands.

With a critical ratio of 0.648 and p-value of 0.517 the psychological risk cannot be used as a predictor for intention to purchase private label cosmetics. H4 is rejected at 5 per cent significance level ($\beta = 0.101$, $p > 0.05$).

H5. Social risk is negatively related to intention to purchase cosmetics private label brands.

Social risk is shown to be a predictor of intention to purchase, accepted at the 5 per cent significance level with a critical ratio of -2.141. Social risk has a negative effect on intention to purchase ($\beta = -0.233$, $p < 0.05$), reflecting the fact that increase in social risk decreases customers' intention to purchase cosmetics private label brands.

H6. Time risk is negatively related to intention to purchase cosmetics private label brands.

Time risk has a critical ration of 0.702 and the probability of 0.483. Therefore, the regression weight for Time risk in the prediction of Intention to purchase is not significantly different from zero at the 0.05 level ($\beta = -0.079$, $p > 0.05$). Thus, it could be concluded that time risk cannot predict intention to purchase. The hypothesis H6 is rejected.

H7. Perceived quality of cosmetics private label brands is positively related to intention to purchase cosmetics private label brands

The hypothesis H7 was rejected at 5 per cent significance level, with critical ratio of 1.057 ($\beta = 0.125$, $p > 0.05$). Intention to purchase cannot be predicted by perceived quality.

H8. Quality consciousness is negatively related to intention to purchase cosmetics private label brands

Quality consciousness was proved to have a direct negative effect ($\beta = -0.159$, $p < 0.05$) on intention to purchase. With a critical ratio of -2.025 and p-value of 0.043, the hypothesis H8 is accepted at 5 per cent significance level.

H9. Perceived value of cosmetics private label brands is positively related to intention to purchase cosmetics private label brands

The probability of getting a critical ratio as large as 1.591 in absolute value is 0.112. The regression weight for perceived value in the prediction of intention to purchase is not significantly different from zero at the 0.05 level ($\beta = 0.182$, $p > 0.05$), Hypothesis H9 is rejected.

H10. Value consciousness is positively related to intention to purchase cosmetics private label brands

Value consciousness has a critical ratio of 1.548, rejected at 5 per cent significance value. The hypothesis H10 is therefore rejected, and intention to purchase cannot be predicted by value consciousness.

H11. Price consciousness is positively related to intention to purchase cosmetics private label brands

Intention to purchase cannot be predicted by price consciousness, as it had the critical ratio of 0.004 and was rejected at 5 per cent significance value ($\beta = 0.000$, $p > 0.05$). The hypothesis H11 is rejected.

A short summary of results is presented in the Table 5 below. H5 and H8 are supported, while the rest of hypotheses are rejected, and H12 was excluded due to inadequacy of the measurement scale for the variable measuring customer innovativeness and presence of the Heywood case.

Table 5

Summary of the hypotheses testing results

Hypotheses	Result
H1. Financial risk is negatively related to intention to purchase cosmetics private label brands	Rejected
H2. Physical risk is negatively related to intention to purchase cosmetics private label brands	Rejected
H3. Functional risk is negatively related to intention to purchase cosmetics private label brands	Rejected
H4. Psychological risk is negatively related to intention to purchase cosmetics private label brands.	Rejected
H5. Social risk is negatively related to intention to purchase cosmetics private label brands.	Supported
H6. Time risk is negatively related to intention to purchase cosmetics private label brands.	Rejected
H7. Perceived quality of cosmetics private label brands is positively related to intention to purchase cosmetics private label brands	Rejected
H8. Quality consciousness is positively related to intention to purchase cosmetics private label brands	Supported
H9. Perceived value of cosmetics private label brands is positively related to intention to purchase cosmetics private label brands	Rejected
H10. Value consciousness is positively related to intention to purchase cosmetics private label brands	Rejected
H11. Price consciousness is positively related to intention to purchase cosmetics private label brands	Rejected
H12. Customer innovativeness is positively related to intention to purchase cosmetics private label brands	Excluded

6. Discussion

Understanding purchase intention and factors related to it is crucial for market players, as this knowledge is essential for private label brands' success. Studies conducted in other segments were concentrating on factors such as perceived risks (Beneke et al., 2012; Sheau-Fen et al., 2012; Mieres et al., 2006), price consciousness (Batra & Sinha, 2000), perceived quality and value (Richardson et al., 1994) and others. While many studies are focusing on the topic in different segments of private label brands, cosmetics are an understudied context in the private label research. Therefore, it was crucial to study the effect of various factors on purchase intention in cosmetics category and by that close the gap in the research and create a foundation for future studies. While the characteristics of private label brands in general were expected to be somewhat overlapping with private label cosmetics, explicit nature of the cosmetics category was expected to play a role. The major factors worth mentioning are that color cosmetic products are applied directly to skin, thus being riskier than usual private label items (detergents, spices, pasta) in terms of potential negative effect. Second, cosmetics are a rather new segment in private labels. While private label groceries were evolutionizing gradually, present in some form for almost a century, private label cosmetics are rather new on the market.

The purpose of the study was to examine the purchase intention of private label cosmetics and effect of factors related to it on the purchase intention. The research question that had to be answered was "*Are perceived risks, perceived value, perceived quality, value consciousness, price consciousness, quality consciousness and customer innovativeness related to intention to purchase cosmetics private label brands?*".

The study contributes to the limited knowledge on the factors influencing intention to purchase in the private label cosmetics context, where it acts as an initial step, which others may build up upon. The findings also enrich cross-category character of private label literature, allowing for making comparisons between more private label categories. This section provides an answer to the research question of the study.

6.1 Perceived risks (H1-H6)

The study examines the influence of six dimensions of perceived risk on purchase intention of private label cosmetics. It was expected that each risk (financial, functional, physical, psychological, social and time risk) would have a direct negative effect on the intention to purchase. However, it was discovered that only the social risk has a significant direct negative impact, while other risks did not show to affect the intention to purchase.

Social risk deals with a possible decrease in prestige that could be caused by the purchase of the product or brand. If customers perceive an alternative as socially risky, they expect social disapproval by their peers (DelVecchio, 2001). Specifically, those not prone to buying private label brands perceive doing that as "being cheap" (Dick, Jain, & Richardson, 1995). The study results show that consumers perceive private label cosmetics as capable of lowering their social status, and thus consumers have lower desire to choose private label brands in the category. Results suggest that consumers believe they could be evaluated by their peers based on this consumption (DelVecchio, 2001). Cosmetics category thus contains a symbolic aspect, which means that consumption of one or another brand reflects one's personality and social status. When social risk rises, consumers are undertaking tactics to decrease the risk by choosing a known national brand with accumulated brand equity (Bearden & Etzel, 1982) instead of a private label brand.

This study finds similarities between cosmetics category and the apparel category, where the level of involvement with the category and the character of usage are rather similar. Jacoby and Kaplan (1972), analyzing prevalence of risks for different product categories, find social risk to be the highest risk for apparel category. Previous research has found social risk to have a significant negative effect on purchase intention in situations where the product is visible to others and is consumed in social settings (Zielke & Dobbelstein, 2007). As cosmetics are often taken out and applied in public, it could be expected that consumers would try to avoid buying the product if there is a possibility of disapproval by other people. Consumers might be afraid that private label products are sending wrong signals about their social image and identity, as is the case with apparel private labels (Liljander et al., 2009). Additionally, even though makeup is mostly applied at home, females are often shopping together, and they might be pressured by the potential negative peer evaluation at the exact purchasing moment if they choose a wrong option among other alternatives (Aqueveque, 2006). Moreover, it is common for females to ask each other about the brand of color

cosmetics they are wearing, where admitting to be wearing a private label brand might be fearful for some consumers. The study result is also consistent with theory of reasoned action, where subjective norm – or peer's attitude to the behavior and its importance – is an important factor determining intention to purchase.

This result is inconsistent with the research by Sheau-Fen et al. (2012), who tested the effect of perceived risks on intention to purchase private label shampoos in Malaysia. In their study, only functional and physical risks were significant, while social risk was insignificant. Different results for social risk might be attributed to the differences between cultures of respondents. According to Sun et al. (2004) (as cited in Sheau-Fen et al., 2012), Malaysian shoppers come from collectivist culture, where brand-savviness is not so common. Brand-savviness, on the other hand, is more prevalent in respondents' cultures. Additionally, color cosmetics products are more frequently used in public, while shampoos are only consumed at home. Thus, there are more reasons for consumers to be conscious about social risk associated with color cosmetics.

Functional risk was not found to affect intention to purchase in this study. This means that uncertainty in the product performance does not influence purchase intention. The results contradict with the study by Beneke et al. (2012), who found functional and time risk to be significant antecedents of intention to purchase, while other risks were insignificant. Functional risk was also significant in the study of Sheau-Fen et al. (2012). This might be attributed to the category the researchers have been researching and to geographical context. While this study focuses on cosmetics and asks mostly Europeans, the study by Beneke et al. (2012) is conducted on premium private label grocery brands in South Africa, and study by Sheau-Fen et al. (2012) is from Malasyan context. While in this study respondents' country was not affecting any identified relationships, no South African or Malaysian people were included in the study to compare. Lack of significant effect of functional risk for cosmetics private label may indicate that consumers are evaluating private label cosmetics brands more positively than private label grocery products. Mieres er al. (2006) noted that consumers generally perceive private labels brand much riskier in functionality than national brand. While the mean value for "functional risk" questions in this study is high (4.40-4.59), indicating that consumers do experience some functional risk, it might be that they do not perceive the functionality of private label cosmetics as lower than that of national brands. Similarly, they might perceive national cosmetics brands to be functionally risky, too. As cosmetics category refers to "experience" goods, it might be difficult to assess how well

those products will perform, regardless of them belonging to private labels or national brands (Batra & Sinha, 2000). Literature also suggests that functional risk rises with product complexity (DelVecchio, 2001; Semejin et al., 2004). Therefore, lack of significant results for effect of functional risk might indicate that consumers do not perceive it as difficult for private label brands' producers to produce color cosmetics products of adequate quality. Ziethaml (1988) also suggests that consumers might feel higher levels of functional risk towards private label brands with inferior cues. Cosmetics private label products, however, are not possessing many inferior external cues (such as packaging design). Rather, they look fairly similar to other mass market color cosmetics. Therefore, effect of functional risk on intention to purchase might be neglected.

Insignificant relationship between time risk and intention to purchase, found in this study, may indicate that consumers are willing to try new cosmetics products, regardless of the amount of time it takes. It could also potentially mean that convenience is not a priority when it comes to purchasing cosmetics brands, as the time loss associated with potential poor performance of the private label product does not decrease the intention to purchase. This is a surprising finding, considering the convenience trend, prominent in cosmetics (Lopaciuk & Loboda, 2013). Time risk was found to be a significant antecedent of intention to purchase in the study by Beneke et al. (2012). The grocery products context, analyzed by Beneke et al. (2012), is more habitual in nature, and the purchases are made more often than in cosmetics context. Therefore, it might be crucial for consumers not to lose time when buying repeated products, but less sensitive when it comes to cosmetics, that are used for a longer time and are switched less often.

The effect of risk of losing money – financial risk – is not significant in the study, meaning that potential financial loss caused by the purchase does not affect intention to purchase private label cosmetics. This contrasts the study of Mieres et al. (2006), who find financial risk to be significantly higher for private label brands than for national brands, thus decreasing proneness to private label brands. Results of this study indicate that respondents' perceived financial risk of buying cosmetics private label brands is relatively low (mean 3.53-3.65). Financial risk tends to be high for more involving and more expensive categories (Sethuraman & Cole, 1999). Since the price paid for private label cosmetics is relatively low (see Table 1) compared to financial resources of an average middle-class woman, and is not a substantial investment, it might be that the category itself is not financially risky for consumers, and thus does not hinder intention to purchase (DelVecchio, 2001). Specifically,

women do not buy cosmetics on daily basis, thus the investment is spread over a period of time and does not harm the family budget. Grocery products, on the other hand, are bought with higher frequency, and a repeated financial loss in this category might be perceived as a more serious threat for consumers. With a 20% difference in price level for private label brands and mass cosmetics brands, consumers might not assess the option as economizing (Zielke & Dobbelstein, 2010, as cited in Beneke et al., 2012). When other qualities of the unfamiliar private label cosmetics brand (besides the price) are unknown, consumers might choose to pay a price premium for a familiar national brand option to avoid an overall risky private label brand (Mieres et al., 2006).

Consistent with this study, financial risk was also found insignificant for private label shampoos in the study by Sheau-Fen et al. (2012). Hair care products(shampoo) are similar to color cosmetics category in a sense that the products in category are relatively cheap and that they are purchased once in a while. Therefore, it is possible that financial risk does not influence intention to purchase private label products with such characteristics.

Psychological risk, or a risk of disappointment due to making a poor choice, is found to not affect purchase intention of private label cosmetics. Psychological risk could also reflect the discomfort related to switching to a new brand or to choosing from many alternatives. The mean values for psychological risk vary from 2.33 to 3.35, suggesting a very low average level of perceived risk associated with buying private label cosmetics. Consumers would not feel uncomfortable if they bought cosmetics private label brand, and they are generally not concerned about making a poor choice in this situation. The result is consistent with findings obtained by Beneke et al. (2012) in grocery products. This might indicate that cosmetics, as well as groceries, are not categories where consumers are building up high expectations about the products, thus disappointment becomes less probable, too. The study, however, contradicts to the study by Kwon et al. (2008), who uses psychological risk as a part of wider construct “switching cost”. While the definition is close to that of typical psychological risk (“additional cost required to terminate a current relationship with a product and to secure an alternative product”, Kwon et al., 2008, p. 107), some difference in concept could serve as a reason of conflicting findings.

Results suggest that consumers are not concerned about possible physical consequences (physical risk) when they are considering buying private label cosmetics. This is a somewhat unexpected finding, considering the way color cosmetics products are applied to skin. With a

mean ranging from 3.7 to 3.87, consumers are rather neutral in their perception of safety of private label cosmetics. It was expected that due to the lower quality perception and a lack of knowledge of the new products, consumers would doubt how safe it is to use the products. Additionally, since it is relatively difficult to produce cosmetics, it was expected that consumers would not be sure about the ability of producers to make safe, highly functioning products (Semejin et al., 2004). The latter, however, does not seem to be the case here, as consumers are questioning neither functionality nor safety (functional risk and physical risks are insignificant) of cosmetics private label brands.

Physical risk was also found insignificant in the study by Beneke et al. (2012), who attributes the absence of physical risk, among others, to the decreasing gap between quality perception of national and private label brands. Additionally, consumers might believe that cosmetics private label producers are allying to the legal safety regulations and that there is thus no risk of getting allergies or other physical harm due to use of the products (Key Facts about the Cosmetics Industry, n.d). Physical risk, on the other hand, was found to be the highest risk customers possess when they are buying private label beef in supermarkets of Ireland (Hornibrook et al., 2005). Negative consequences of food poisoning might be perceived by consumers as far more severe and serious than the potential side effects of makeup usage. Moreover, a typical consumer has most probably encountered food poisoning at some point in his life. Physical harm of cosmetics (such as getting acne), on the other hand, is often neglected or not even attributed to that exact cosmetics product (such as explaining getting pimples by hormonal state). Therefore, people might form the availability and representativeness bias (Tversky & Kahneman, 1974), perceiving the probability of getting a food poisoning (that they are familiar with and have experienced) much higher than probability of getting side effects to cosmetics. Thus, perceived physical risk might be more influential for some private label food products than for private label cosmetics products.

Physical risk was found to have a significant negative effect on intention to purchase private label shampoos in Malaysia (Sheau-Fen et al., 2012), which contradicts to this study. The difference in results might be attributed to the overall safety and quality perception in regions. Consumers might believe that private label shampoos in Malaysia contain cheaper and potentially harmful components, that the shampoos are not controlled for.

6.2 Perceived quality and quality consciousness (H7-H8)

Perceived quality is traditionally highlighted as one of the most important factors influencing the difference between private label and national brands and intention to purchase private label brands (Sheau-Fen et al., 2012; Liljander et al., 2009; Mieres et al., 2006; Richardson et al., 1994; Hoch & Banerji, 1993). Additionally, Richardson et al. (1994) showed that perceived quality is even more important than perceived value for money, indicating that getting sufficient quality is more important than economizing. Therefore, it is surprising that in this study perceived quality did not influence intention to purchase. That could be an indication of a closing gap between the quality perception of private label and national brands. The mean value for questions measuring perceived quality of private label cosmetics brands was 3.61-3.78, which indicates a rather neutral quality perception, slightly skewed to negative.

Reasons for contradicting results might lie in the category characteristics. According to study by DelVecchio (2001), perceived private label quality could be influenced by complexity, price level, average interpurchase time, and quality variance of the product category. Complexity of the product is also relevant for functional risk perception, which is also found insignificant in this study. Based on this, it could again be hypothesized that consumers do not perceive cosmetics as a category difficult to produce. It is important to note that questions in the survey were focusing on color cosmetics, and not on other cosmetics segments, such as skincare or perfume. As skincare is supposed to serve a healing mission, it must use special components that would actively affect skin state in a positive matter. Color cosmetics, on the other hand, has more limited missions (give color, last long), and thus might be expected as less complex to produce. Thus, it may lead to perception that private label producers are capable of making a product with decent quality, which makes it unnecessary to hinder intention to purchase.

In situations of high quality variation in the category, consumers are also more likely to choose national brands over private label brands (Richardson et al., 1996, DelVecchio, 2001). As there are many successful brands and the quality variation is substantial, one would expect perceived quality to have an effect on intention to purchase. However, it might be that consumers do not perceive the category to vary in quality enough to consider quality as an important factor when considering purchase of color cosmetics.

Additionally, it is important to consider factors affecting subjective quality perceptions, such as brand names, package design, and price (Richardson et al., 1996). The most common private label cosmetics brands (Topshop, H&M) are using chick package design, not inferior to the packaging design of other mass cosmetics brands. Unlike the first generic private labels in groceries (plain packages with product name on it), the design of private label cosmetics does not signal that they are generic. They are also only moderately cheaper than other mass cosmetics brands, not signaling extremely low quality with the price. They, however, are still much less expensive than luxury color cosmetics brands. Comparing those brands, consumers might perceive the quality difference. However, they might perceive them similar in quality to mass products, and find them acceptable to buy if they also accept mass cosmetics brands.

This study results are consistent with the study by Kakkos et al. (2015), where perceived quality was not found to affect intention to purchase private label brands in Greece. Kakkos et al. (2015) attribute this to the fact that other factors might be more relevant for purchase intention in Greek context, such as perceived social value, brand awareness and value for money. Specifically, increase of intention to purchase with increased perceived social value – or social value influenced by product use – appears to be similar to the finding of this study that social risk decreases intention to purchase private label cosmetics.

The findings of this study suggest that quality consciousness in negatively related to intention to purchase. This means that more quality conscious consumers are less likely to buy private label cosmetics. Those consumers highly value the quality of the products they buy and prioritize quality above other things. They are also expressing willingness to search for high-quality products.

Discovered negative relationship between quality consciousness and intention to purchase private label cosmetics could exist due to uncertainty of those consumers in the quality of private label cosmetics. Traditionally, research shows that quality conscious customers reject private labels because of the low quality perception (Richardson et al., 1994, Ailawadi et al., 2001). This study is consistent with results of study by Ailawadi et al. (2001) in this matter. Even though perceived quality was not a significant predictor for intention to purchase in this study, it might be a case that for those consumers the quality of private label brands is not high enough. Those consumers might be using prices (20% lower than mass cosmetics brands and around 200% lower than luxury cosmetics) and brand names as quality cues.

Therefore, if the stores are positioning themselves as fast-fashion retailers with decent quality, quality conscious consumers will project that to those retailers' cosmetics and decide to choose national brands with higher quality and safer brand names. Regardless the improvement in the general quality level of private labels, perception of lower quality is still low for some consumers. This is in line with research by Martinez and Montaner (2008), who found that quality consciousness hinders intention to purchase of grocery shoppers in Spain. Additionally, short history of private label cosmetics might contribute to the lack of trust quality conscious consumers have towards private label cosmetics brands' quality. While improvement in quality level was evident for grocery products, consumers have not had a chance to observe that in color cosmetics.

The study results contradict with results obtained by Thanasuta (2015), who analyzed effect of quality consciousness across four categories: cooking oil, tissue paper, body lotion, and instant noodles. Unlike this study, Thanasuta (2015) finds that quality consciousness does not affect intention to purchase private label brands in Thailand. Thanasuta (2015) explains this finding by existence of both high-quality private labels and low-quality national brands on the market. Explaining the contradicting results of these two studies, it is possible to assume that there are big cultural differences between Thai consumers and European consumers, who dominated in this study. European consumers might be more sure of national brands quality, while private label cosmetics brands remain a new and less secure alternative.

6.3 Perceived value, value consciousness and price consciousness (H9-H11)

Many research papers have found perceived value of a product to be a critical determinator of intention to purchase that product (Liljander et al., 2009, Richardson et al., 1996, Beneke & Carter, 2015; Kakkos et al., 2015). Often, the question set in the papers is regarding what is more important for intention to purchase – perceived value or perceived quality. There, some authors claim it is perceived quality (Richardson et al., 1994), while others claim it is perceived value (Jaafar et al., 2013). It is rarely a question whether perceived value does or does not affect intention to purchase. Findings of this study show that perceived value is not influencing intention to purchase private label cosmetics, which is surprising in light of previous research.

Perceived value is widely understood as a tradeoff between price and value they can receive for that price. The finding that perceived value does not influence purchase intention in this study indicates that consumers are not prioritizing value-for-money aspect of transaction when choosing cosmetics. It means that when they are shopping for cosmetics, they are not looking just for a product that would be the most satisfying for the amount they are willing to spend. Instead, it must be something else that is driving their choice. In this study, it is the effect on social image and quality consciousness that are more important. That means that consumers are more interested in getting a cosmetics product that will not harm their social status, than in buying just a good enough affordable option.

Beneke and Carter (2015) found a strong positive effect of perceived value on the purchase intention in private label brand context. Their findings, however, are made in cereal brand context, where one might not be necessarily interested in the highest quality, and not willing to pay higher prices to get better quality. Cereal category is rather homogenious, and many consumers might not actually believe in a high qulity variation in the category. Thus, using "you get what you paid for" heuristics becomes irrelevant in that case (Sinha & Batra, 1999). Rather, it might be the case that consumers are most interested in getting decent quality for decent price. While respondents of this study indicate that they perceive private cosmetics to provide a good value for money (mean values 4.23-4.55), it is apparently not their main concern when making a choice.

Jaafar et al. (2013) have also found perceived value to be an important factor affecting intention to purchase private label brands, especially when high perceived value is associated with low risks and high quality. That study, as study by Beneke and Carter (2015), analyzes private label food products. Differences in categories might be the reason why results of this study differ from results of other studies. Cultural differences might also play a role. Respondents of this study were dominantly from Europe, while two other mentioned studies are from South Africa and Malaysia. It might be that customers from those regions are more interested in economizing and finding affordable options.

This study finds that value consciousness does not influences one's intention to purchase private label cosmetics brands. This finding contradicts with findings by Garretson et al. (2002), Diallo et al. (2013), Burton et al. (1998), Jin and Suh (2005), whose studies were conducted in other contexts. Previous research has found that with improved quality private

label brands are more appealing to value conscious consumers seeking a good tradeoff between quality and price when making purchases (Diallo et al., 2013).

Value is a concept, capturing the quality assesment of a product made by a person. Kwon et al. (2008) have found that effect of value consiousness is stronger for search products than for experience products. They found that low value-conscious consumers are more likely to buy search private labels than experience private labels, while highly value conscious consumers are less sensitive to the product type. Color cosmetics refer to experience products, where it is difficult to make an evaluation of expected quality and to form a proper opinion on the product before and after usage. Therefore, it might be possible that it is difficult for consumers to assess the value of the product and compare it to value that other cosmetics products could provide. Furthermore, it might be hard for consumers to assess what is an optimal tradeoff between the quality and price in the context of color cosmetics. Therefore, regardless of level of value consciousness in the category, this factor might not affect purchase intention due to inability of consumers to form a valid opinion.

Jin and Suh (2005) analyzed relation of value consciousness to intention to purchase for food category and for home appliances category in Korea, and found a positive direct effect of value consciousness on intention to purchase home appliences, while the relationship is only indirect for food. Study by Thanasuta (2015) got findings similar to fidings of this study, where effect of value consciousness was insignificant for cooking oil, tissue paper, body lotion and instant noodles in Thai market. Based on this, it might be possible to suggest that effect of value consciousness varies across the categories, and color cosmetics is one of the categories where value consciousness does not affect intention to purchase. Since there are no other studies done on value consciousness in cosmetics category, it is difficult to conclude that without direct evidence from other research. Alternative explanations for differing study results might lie in market and cultural differences.

This study also finds that price consciousness does not have a direct negative effect on intention to purchase private label cosmetics. This means that intention to purhase is not affected by one's level of price consciousness. This generally contradicts with previous research. Ailawadi et al. (2001) and Brazauskaitė et al. (2014) have found that private label brand consumers are price conscious, and according to Burton et al. (1998) 67% of respondents in their research indicated low price as a "very important" reason for them to choose private label brands over national brands. Similarly, Sinha and Batra (1999) have

found price consciousness to be the strongest predictor to intention to purchase private label brands across eight product categories. Glynn and Chen (2009), extending the study by Batra and Sinha (2000), have also proven influence of price consciousness on intention to purchase private label brands.

Previous studies (Glynn & Chen, 2009; Jin & Suh, 2005) show that effect of price consciousness on intention to purchase private labels might differ across categories. In study by Jin and Suh (2005), price consciousness has a direct positive effect on purchase intention for food, but does not have an effect for home appliance category. Similarly, Thanasuta (2015) has only found price consciousness to have an effect on low-differentiation category, presented by cooking oil and tissue paper. Price consciousness, however, did not have an effect on body lotion and instant noodles. Therefore, the findings of this study are both similar and contradicting with previous studies. The fact that color cosmetics differs from other most commonly studied categories might be the reason of contradicting results regarding the effect of price consciousness.

The price differentiation in the category is high, thus consumers were expected to feel unfairness of national brands and be more price conscious and more open to private labels. However, as it could be seen in the Table 1, price of private label cosmetics is relatively close to prices of other mass cosmetics brands. Therefore, while price conscious consumers are interested in purchasing cosmetics at lower prices, the economy provided by private label cosmetics might not seem big enough compared to mass products. Consumers that are usually buying professional or luxury cosmetics are perhaps not price conscious in this category, as those products costs much more than private label brands and mass products. Instead, they might be quality conscious, being motivated by the product quality. As found by Hoch and Banerji (1993), quality plays a bigger role than price, and this might be more relavant for this category as well.

6.4 Future research

This study contributes to the existing knowledge of intention to purchase private label brands by studying it in a new context - cosmetics. Pervious research and this research have shown that category characteristics affect intention to purchase, making different factors more or less influential on purchase intention in each case. Since very little is known about private label cosmetics, there are many directions future research could move in.

As social risk was found to be a significant predictor of intention to purchase, it is interesting to pay more attention to the issue. Since social risk is present when one perceives a choice or consumption to harm their social status, discovering the reasons why consumers perceive private label cosmetics as a threat is useful. This study does not ask about the way consumers are using their color cosmetics. For instance, if consumers were working as makeup artists, applying cosmetics on others, social risk might have played an even bigger influence on intention to purchase.

Additionally, knowledge and experience with private label brands could have been included as a moderator, to check if the assumptions of other authors derived from other categories hold in color cosmetics context. Importance of familiarity have been discovered by Jaafar et al. (2013) and Richardson et al. (1996). They suggest that consumers familiar with private labels perceive them as having better quality, higher perceived value and lower risks. As cosmetics private label brands are relatively new on the market, familiarity might affect consumers' perception of the products and their intention to purchase. Richardson et al. (1996) also suggest that people unfamiliar with those products are more likely to rely on extrinsic cues while evaluating quality. As quality consciousness was found to have a direct negative effect on intention to purchase private label brands, it would be interesting to find out if quality conscious consumers disregard private label cosmetics because of poor quality perception, based on reliance on extrinsic cues, or if there are some other reasons for that. Using extrinsic cues such as concrete brand names should also be considered. Brand names and trust to those brands have been found to influence intention to purchase in other categories, and it is thus necessary to estimate if that is true for cosmetics.

Moreover, using a different research strategy is possible to support the findings and get new insight. That, for example, could be a use of experiment to check the influence of certain factors on intention to purchase. Interviews could also be used to find out the underlying reasons of the answers that consumers gave on a survey. Understanding why consumers are perceiving private label cosmetics as, for example, socially risky is important for increasing intention to purchase.

6.5 Limitations

It is important to note that this study contains limitations, that need to be considered when referring to this study and in future research. The limitations are related to the format of the study (master thesis) and to the measuring instrument.

The respondents for the survey were self-selected, meaning that they do not represent a population due to absence of equal chance of all the people in the sample to be chosen. Since it was impossible to get access to the whole sample (all women using color cosmetics) and use probability sampling methods, the results could not be generalized to the whole population. Rather, findings are generalizable to theory (Saunders et al., 2012). The obtained sample size is also rather small, as the only way to approach people was through Facebook and student e-mails. To allow for more complex structural models, it is recommended to get bigger samples. The reason for not obtaining a big sample could be that the survey was rather long, and that respondents were not offered an incentive, such as a monetary prize. The progression bar, however, was included in the survey not to mislead respondents about the length of the questionnaire.

The questionnaire was in English. While the majority of people taking the survey are comfortable answering in English, some respondents might have limited knowledge and thus gave inaccurate answers to some questions. Additionally, the questionnaire included reversed worded questions, which Saunders et al. (2012) recommends to include to make respondents answer more attentively and more carefully. However, it must have been the case that some respondents did not notice that the questions were reversed and answered accordingly. This became evident when comparing the scores for questions meaning practically the same.

Another limitation of this study is an absence of open-ended questions. Therefore, the questionnaire might have a limited power explaining one's opinions on a matter. Inclusion of open-ended question allows for more thorough understanding of underlying reasons of certain opinions. However, it was decided not to include those to avoid making the survey to extensive to answer.

7. Conclusion

Gaining bigger and bigger market shares in many product categories, private label brands are becoming more widespread. Fueled by recessions, consumers are more often choosing private label brands over national brands. Today, private labels are represented in more than 90% packaged goods, and are reaching around 25% of market shares on European market. Traditionally dominated by strong brands with long history and continuous innovation, cosmetics category is now getting new players – those extending into the beauty sector and producing private label cosmetics, specifically color cosmetics. With the potential benefits private label brands can provide, it is important for retailers to understand the factors driving success of private label cosmetics.

The purpose of the thesis was to study the relationship between factors that influence intention to purchase and the intention to purchase private label cosmetics. By conducting such study, the thesis aims to close the gap in private label research. A wide set of factors was chosen for analysis, encompassing perceived risks, perceived quality, quality consciousness, perceived value, value consciousness, price consciousness and customer innovativeness. To answer the research question, 12 hypotheses were developed and tested. However, customer innovativeness was excluded due to presence of Heywood case.

The study reveals that social risk and quality consciousness are influencing consumers' intention to purchase private label cosmetics. The effect of both factors is negative. It means that social risk, associated with private label cosmetics, decreases one's intention to purchase private label cosmetics. Possible reasons for that could be that consumers perceive cosmetics as a symbolic product, where buying private label cosmetics harms one's social image. Occasional public consumption and group context could also put pressure on consuming more socially acceptable alternatives.

Moreover, quality consciousness negatively affect intention to purchase private label cosmetics. That means that more quality conscious consumers have a lower intention to purchase private label cosmetics than less quality conscious consumers do. This could be attributed to the fact that quality conscious consumers do not perceive private label cosmetics to possess a high enough quality level, using external cues for quality assessment.

The study results suggest that factors affecting intention to purchase private label brands differ across categories. Differences between this study results and other studies' results could be attributed to categorical differences and category-specific behaviors, as well as geographical and cultural differences of studies and respondents.

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Appendix

Appendix A: Four types of private labels

Table 6

Four types of private labels

	Generic private labels	Copycat brands	Premium store brands	Value innovators
Example	No-name black-and-white packages marked "soap", "shampoo", "bread"	Walgreends shampoo, Osco vitamins, Quill office products	President's choice Body shop, Tesco Finest	Aldi, H&M, IKEA
Strategy	Cheapest - undifferentiated	Me-too at a cheaper price	Value added	Best performance-price ratio
Objectives	Provide custome with a low-priced option Expand customer base	Increase negotiating power against manufacturing Increase retailer share of category profits	Provide added-value Differentiate store Increase category sales Enhance margins	Provide the best value Build customer loyalty Generate word of mouth
Branding	No brand name, or identified as first price label	Umbrella store brand or category-specific own labels	Store brands with subbrand or own label	Meaningless own labels to demonstrate variety
Pricing	Large discount, 20%-50% below brand leader	Moderate discount, 5%-25% below brand leader	Close to or higher than brand leader	Large discount, 20%-50% below brand leader
Category coverage	Basic functional product categories	Originates in large categories with strong brand leaders	Image-forming categories, often fresh products	All categories
Quality to brand leader	Poor quality	Quality close to branded manufacturers	Quality on par or better, advertised as better	Functional quality on par with brand leader but with removal of "non-value-adding" product features and imagery
Prioduct development	None; product put up for contracrs to manufacturers with lagging tehnology	Reverse engineering using manufacturers with similar technologu	Considerable effort to develop best products with similar or better technology	Considerable effort and innovation in terms of cost-benefit analysis
Packaging	Cheap and minimal	As close to brand leader as possible	Unique and source of differentiation	Unique but cost-efficient
Shelf placement	Poor; less visible shelves	Adjacent to brand leader	Prominent eye-catching positions	Normal as all over store
Advertising/ promotion	None	Frequent prime promotions	Featured in advertisements but limited price promotions	Store not own-label advertising, normal promotion schedule
Customer proposition	Sold as cheapest-priced product	Sold as same-quality but lower price	Sold as best products on market	Sold as best value - price of generics but objective quality on par with brand leaders

Note. Four types of private labels. Adapted from *Private Label Strategy* (p. 27-28) by N. Kumar and J. Steenkamp, 2007, Cambridge, MA: Harvard Business School Press.

Appendix B: Survey questions with sources

Table 7

Survey questions with sources

Concept	Question	Source
Value consciousness	When purchasing cosmetics products, I always try to maximize the quality I get for the money I spend	Burton et al. (1998)
	When I buy cosmetics, I always check prices at the store to be sure I get the best value for the money I spend	Lichtenstein et al. (1993)
	When I buy cosmetics, I like to be sure that I am getting my money's worth	
Quality consciousness	It is important to me to buy the best-quality product when it comes to buying cosmetics	Ailawadi et al. (2001)
	I will not give up high quality for a lower price when buying cosmetics.	
	I always buy the best-quality cosmetics products	
Price consciousness	I am not willing to put in extra effort to find lower prices when buying cosmetics	Lichtenstein et al. (1993)
	I generally strive to buy cosmetics products at a low price	
	When buying cosmetics, I would never shop at more than one store to find lower prices	
Customer innovativeness	I frequently look for new products and services	Manning et al. (1995)
	I am continually seeking new product experiences	
	When buying a new product, I usually do not rely on experienced friends or family for advice	
Perceived quality	Private label brands of cosmetics category are of high quality	DelVecchio, 2001
	In cosmetics category, private labels are inferior to national brands*	
	I doubt that cosmetics private label brands are very high-grade products	
Perceived value	Cosmetics private label brands are good value for the money I spend	Dodds et al. 1991
	Cosmetics private label brands are very economical	
	Private label cosmetics appear to be a bargain	
Financial risk	Purchasing cosmetics private label brands would be a bad way to spend my money	Stone and Gronhaug (1993)
	If I bought a cosmetics private label brand for myself, I would be concerned that the financial investment would not be wise	
	If I bought a cosmetics private label brand for myself, I would be concerned that I would not get my money's worth	
Functional risk	I am concerned about how reliable cosmetics private label brands are	Stone and Gronhaug (1993)
	I am concerned that cosmetics private label products would not provide the benefits I am expecting	
	I worry about whether the cosmetics private label product will perform as well as it is supposed to	
Physical risk	I am concerned that my body might be harmed due to use of a cosmetics private label product	Stone and Gronhaug (1993)
	Considering purchase of cosmetics private label brands, I am concerned about potential side-effects	
	When I consider purchasing cosmetics private label brands, I become concerned about potential physical risks associated with these products	
Social risk	Buying cosmetics private label brands may negatively affect what others think of me	Mieres et al., 2006
	Others will not see me the way I want them to if I buy a cosmetics private label brand	
	Others may look down on me if I buy a cosmetics private label brand	
Psychological risk	Buying a cosmetics private label brand would make me feel uncomfortable with myself	Mieres et al., 2006
	I am afraid I will make a poor choice if i buy a cosmetics private label brand	
	Cosmetics private label brands do not fit well with the concept I have of myself	
Time risk	Buying a cosmetics private label brand may be a waste of time due to the product's bad results	Mieres et al., 2006
	I am afraid that buying a cosmetics private label brand will be a waste of time if I have to change it for another brand	
	Buying a cosmetics private label brand may be waste of time if the product is worthless	
Intention to purchase	The likelihood of me purchasing cosmetics private label brands is	Dodds et al. 1991
	The probability that I would consider buying cosmetics private label brands is	
	My willingness to buy cosmetics private label brands is	

Appendix C: The questionnaire

Thank you for taking the time to complete the survey.

This survey is an important part of my master thesis at Norwegian School of Economics (NHH). It aims to measure intention to purchase private label cosmetics and factors related to purchase intention. The survey takes approximately 5 minutes to complete. The results are anonymous and will be used only for research purposes.

NB The survey is targeted for people using color cosmetics (lipsticks, mascaras, etc.). If you are not within the target group, you do not need to continue with the survey

Before starting the survey, please familiarize yourself with the following terms:

Cosmetics - in this survey, cosmetics refers to colour makeup (such as mascaras, eyeshadows, lipsticks, foundation)

Private label brands - brands owned by retailers and distributed exclusively in their stores. Example of private label cosmetics could be cosmetics, owned by a retailer (clothing store, supermarket, store distributing cosmetics) and sold exclusively in the retailer's stores (clothing store, supermarket, store distributing cosmetics), usually under the retailer's name

National brand - brands, that are created by producers, bear their chosen brand name and are distributed through various retailers

Please indicate how well these statements describe you

	Strongly disagree	Disagree	Somewhat disagree	Neither agree nor disagree	Somewhat agree	Agree	Strongly agree
When purchasing cosmetics products, I always try to maximize the quality I get for the money I spend							
When I buy cosmetics, I always check prices at the store to be sure I get the best value for the money I spend							
When I buy cosmetics, I like to be sure that I am getting my money's worth							
It is important to me to buy the best-quality product when it comes to buying cosmetics							
I will not give up high quality for a lower price when buying cosmetics.							
I always buy the best-quality cosmetics products							

<< >>

Please indicate how well these statements describe you

	Strongly disagree	Disagree	Somewhat disagree	Neither agree nor disagree	Somewhat agree	Agree	Strongly agree
I am not willing to put in extra effort to find lower prices when buying cosmetics							
I generally strive to buy cosmetics products at a low price							
When buying cosmetics, I would never shop at more than one store to find lower prices							
I frequently look for new products and services							
I am continually seeking new product experiences							
When buying a new product, I usually do not rely on experienced friends or family for advice							

<< >>

Please check a box for each statement to indicate how much you agree or disagree with it

	Strongly disagree	Disagree	Somewhat disagree	Neither agree nor disagree	Somewhat agree	Agree	Strongly agree
Private label brands of cosmetics category are of high quality	○	○	○	○	○	○	○
In cosmetics category, private labels are inferior to national brands*	○	○	○	○	○	○	○
I doubt that cosmetics private label brands are very high-grade products	○	○	○	○	○	○	○
Cosmetics private label brands are good value for the money I spend	○	○	○	○	○	○	○
Cosmetics private label brands are very economical	○	○	○	○	○	○	○
Private label cosmetics appear to be a bargain	○	○	○	○	○	○	○

*National brands - brands, that are created by producers, bear their chosen brand name and are distributed through various retailers

<< >>

Please check a box for each statement to indicate how much you agree or disagree with it

	Strongly disagree	Disagree	Somewhat disagree	Neither agree nor disagree	Somewhat agree	Agree	Strongly agree
Purchasing cosmetics private label brands would be a bad way to spend my money	○	○	○	○	○	○	○
If I bought a cosmetics private label brand for myself, I would be concerned that the financial investment would not be wise	○	○	○	○	○	○	○
If I bought a cosmetics private label brand for myself, I would be concerned that I would not get my money's worth	○	○	○	○	○	○	○
I am concerned about how reliable cosmetics private label brands are	○	○	○	○	○	○	○
I am concerned that cosmetics private label products would not provide the benefits I am expecting	○	○	○	○	○	○	○
I worry about whether the cosmetics private label product will perform as well as it is supposed to	○	○	○	○	○	○	○

<< >>

Please check a box for each statement to indicate how much you agree or disagree with it

	Strongly disagree	Disagree	Somewhat disagree	Neither agree nor disagree	Somewhat agree	Agree	Strongly agree
I am concerned that my body might be harmed due to use of a cosmetics private label product	○	○	○	○	○	○	○
Considering purchase of cosmetics private label brands, I am concerned about potential side-effects	○	○	○	○	○	○	○
When I consider purchasing cosmetics private label brands, I become concerned about potential physical risks associated with these products	○	○	○	○	○	○	○
Buying cosmetics private label brands may negatively affect what others think of me	○	○	○	○	○	○	○
Others will not see me the way I want them to if I buy a cosmetics private label brand	○	○	○	○	○	○	○
Others may look down on me if I buy a cosmetics private label brand	○	○	○	○	○	○	○

<< >>

Please check a box for each statement to indicate how much you agree or disagree with it

	Strongly disagree	Disagree	Somewhat disagree	Neither agree nor disagree	Somewhat agree	Agree	Strongly agree
Buying a cosmetics private label brand would make me feel uncomfortable with myself							
I am afraid I will make a poor choice if i buy a cosmetics private label brand							
Cosmetics private label brands do not fit well with the concept I have of myself							
Buying a cosmetics private label brand may be a waste of time due to the product's bad results							
I am afraid that buying a cosmetics private label brand will be a waste of time if I have to change it for another brand							
Buying a cosmetics private label brand may be waste of time if the product is worthless							

<< >>

Please check a box for each statement to state the level that matches you best

	Very low	Low	Somewhat low	Neither low nor high	Somewhat high	High	Very high
The likelihood of me purchasing cosmetics private label brands is							
The probability that I would consider buying cosmetics private label brands is							
My willingness to buy cosmetics private label brands is							

Age:

Where are you from (country)?

<< >>

Thank you for completing the survey!

Appendix D: The measurement model

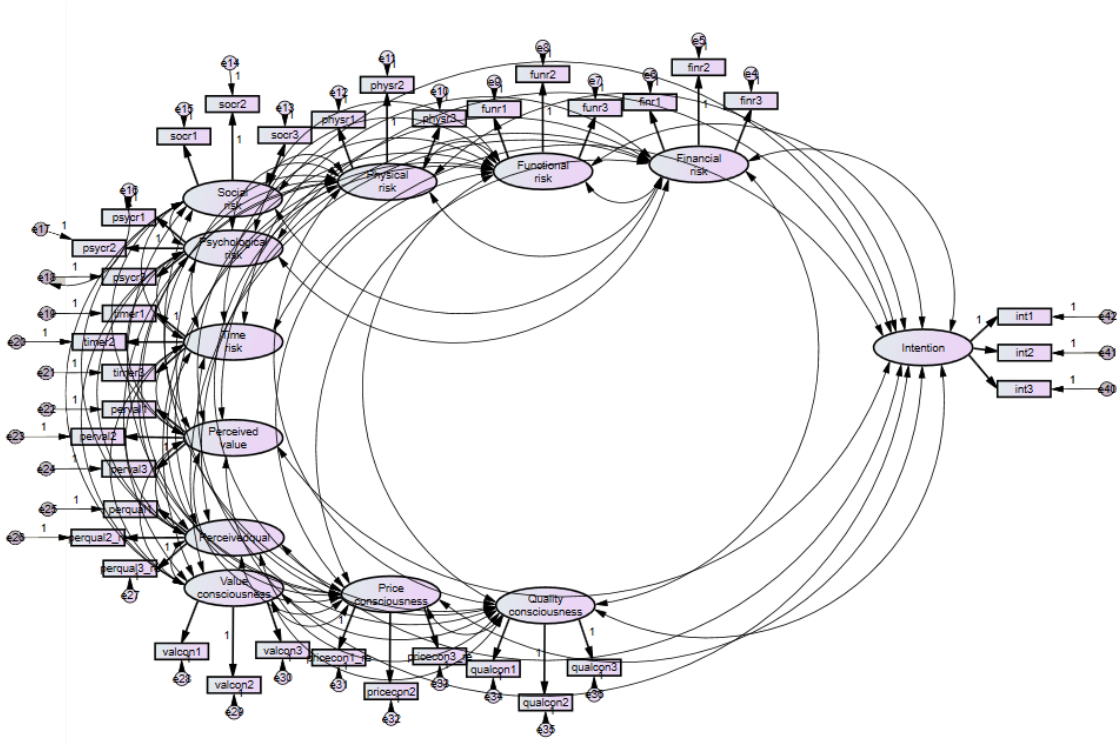

Figure 3 The measurement model

Appendix E: The final structural model

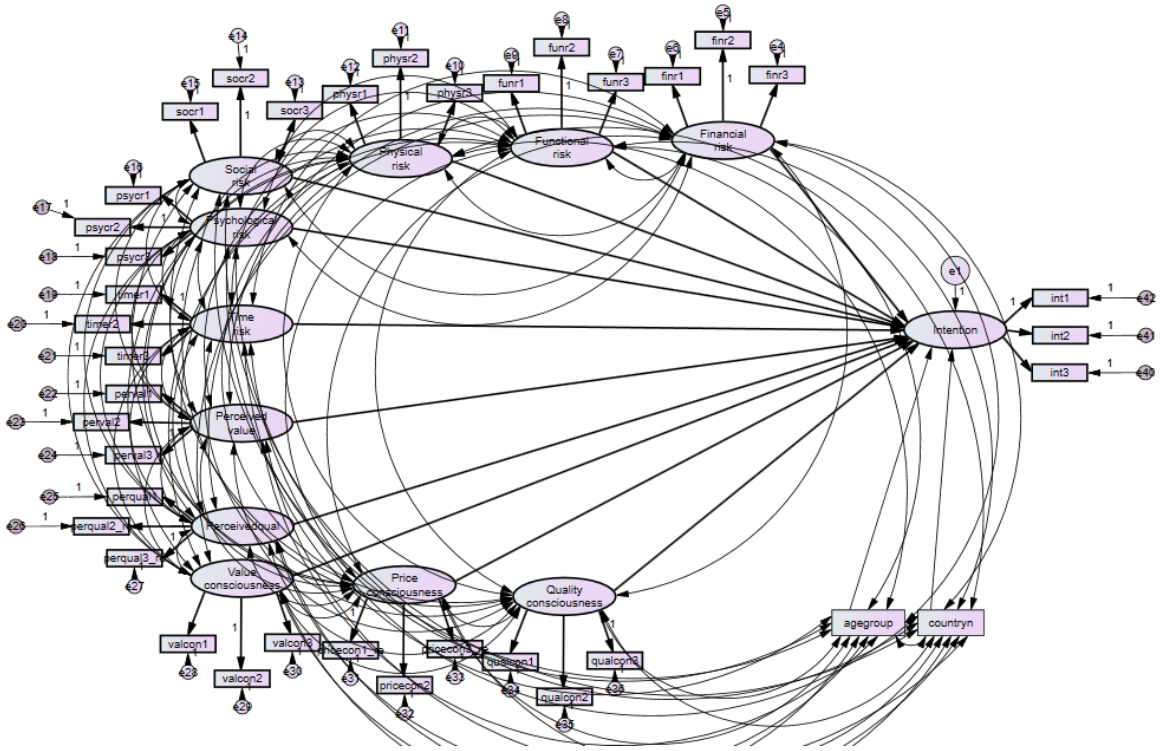

Figure 4 The final structural model

Appendix F: The SPSS AMOS output

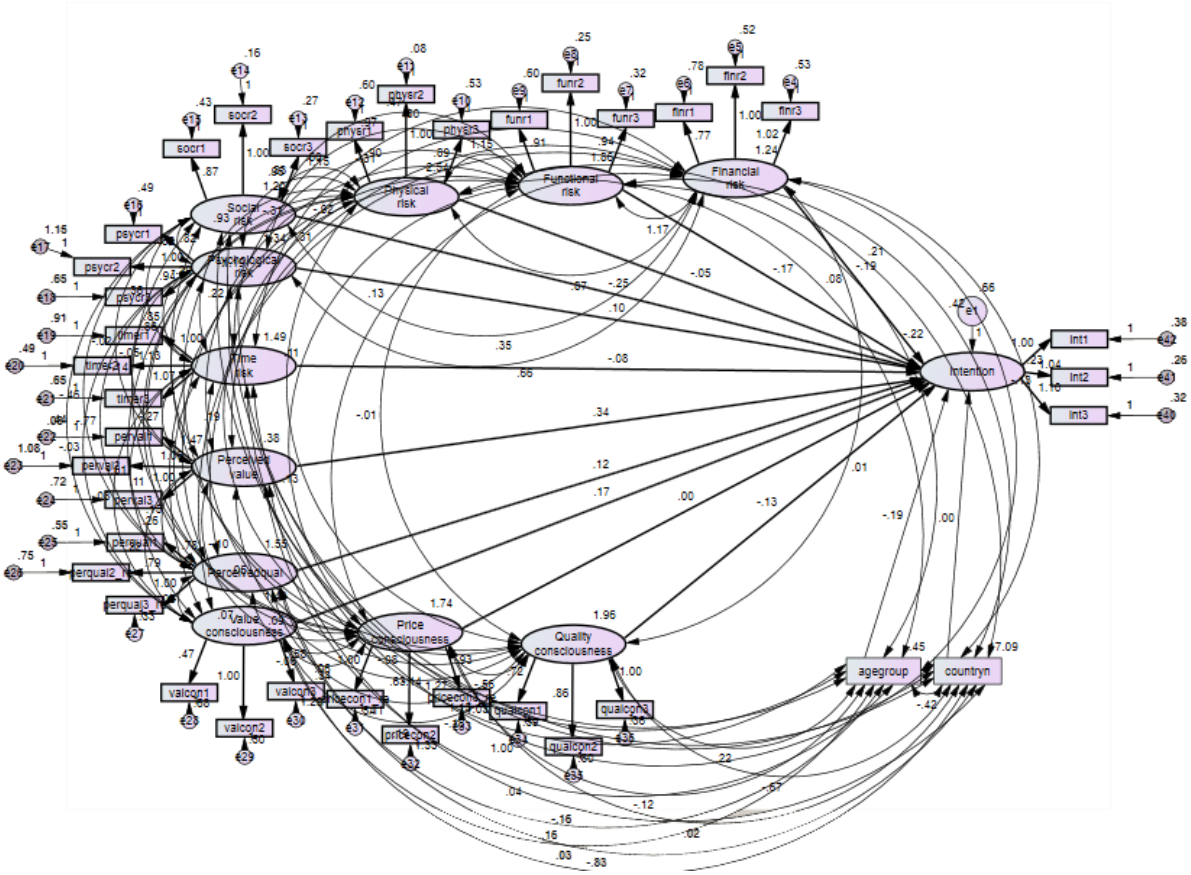

Figure 5 The SPSS AMOS output