

AN EMPIRICAL INVESTIGATION OF THE INFLUENCE OF NON-PRICE VARIABLES ON QUALITY TIER COMPETITION

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ABSTRACT

There is a growing body of research investigating the competition between product quality tiers (e.g., national brands vs. store label brands). However, that research has primarily focused on price competition – i.e., how price changes affect brands in different quality tiers. This article tries to expand our understanding of quality tier competition by investigating the role of non-price variables. The differential impact of feature advertisements, in-store displays, and brand loyalty on different quality tiers are investigated by means of scanner panel data. The findings show that unlike the differential impact of price (which has been extensively shown to favor high quality brands over low quality brands), changes in non-price variables benefit low quality brands more than high quality brands. Managerial implications and future research directions are delineated.

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