Hispanic consumers, store loyalty and brand preference

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Abstract Inconsistent findings exist in the literature regarding Hispanic consumers' brand preference as compared with their non-Hispanic counterparts. The use of different measures has been suggested to contribute to such inconsistencies. Using actual purchase data, this study demonstrates that factors such as ethnicity, product type and store loyalty play important roles in determining the use of store brands vs national manufacturer brands. Thus, this paper provides an alternative explanation to the inconsistency in the previous research on Hispanic purchase behaviour.

Keywords: *Hispanic consumer; product type; store loyalty; brand preference; store brand*

INTRODUCTION

Hispanic consumers

Hispanics belong to one of the fastest-growing ethnic groups in the USA. In 1998 there were about 30.8 million Hispanics.¹ Between 1990 and 1998 the Hispanic population increased 48 per cent, compared with an overall population increase of 9.3 per cent. The result is that Hispanics now represent 11.4 per cent of

the country's total population of 269 million as compared with only 6.4 per cent in 1980. This emerging segment is destined to become the largest ethnic group in the USA. Marketers have become increasingly aware of the purchasing power of this group.² The current overall purchasing power of Hispanics is estimated at \$452bn, an increase of 118 per cent from 1990 to 2001.³ It is anticipated that this dramatic growth in spending, as well

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as increases in disposable income, will continue to outpace that in non-Hispanics, at least until 2020.⁴

Realising its importance, many companies are increasing their marketing effort to this growing ethnic market. For example, Verizon Communications provides giving through its foundation grants to the Hispanic community. By the end of the year 2000, the company had increased such giving to more than \$12m. Further, it spent nearly \$250m with Hispanic vendors in 2000, an increase of 41 per cent from the year before.⁵ Similarly, Sara Lee Corp. has recently started a project to learn how to market its products to Hispanics. It plans to start a campaign in Phoenix and Chicago, aiming to lure Hispanics to sample its meats, baked goods and other items.⁶

In a recent article on ethnic banking practices in the USA, Shanmuganathan *et al.* outline the various strategies being employed by the major bankers in their desire to attract more ethnic customers.⁷ Banks are specifically using a variety of tactics to build brands and brand image for recruiting Hispanic customers. Strategies include cross-border purchasing of major banks in Central and Latin America, development of specific products that meet Hispanic needs for remittance of funds to native countries and the use of the Spanish language in advertising, customer interaction and on ATM instructions.⁸ Accompanying marketers' increasing attention to this important ethnic market, research effort on this market is growing as well.⁹⁻¹¹ The research to date, however, has been somewhat inconsistent and deficient.

Inconsistent research findings

Brand preference

In an early investigation of Hispanic purchasing behaviour, Deshpande *et al.*

reported that Hispanic consumers tend to purchase more well-known or name brands and buy fewer store brands than non-Hispanic consumers.¹² Other researchers have reported similar findings over the years.¹³ This has become the prevailing wisdom that has been reported in many text books as well as the popular press.^{14,15} Mulhern and Williams report different findings however, stating that Hispanics and non-Hispanics are not significantly different when it comes to purchasing store brands.¹⁶ Using store-level sales data, Mulhern and Williams demonstrated that shoppers in predominantly Hispanic communities actually buy fewer name brands and more store brands than non-Hispanic consumers.¹⁷ Indeed, they found that most of the characteristics of consumer behaviour often attributed to Hispanic consumers in the literature did not manifest in the aggregate store sales level. The authors speculated that the inconsistency comes from the discrepancy between individual self-report information and actual purchase behaviour, as the former often does not translate into the latter.

Store loyalty

While previous studies have looked at Hispanics' brand preferences, price sensitivity and other loyalty issues such as generic purchasing or national brand preference, very few studies have investigated their store loyalty.¹⁸⁻²² One early study reported that Hispanic consumers tend to shop at the same store, especially those stores owned by members of the subculture and stores with Spanish-speaking salespeople.²³

If a consumer is brand loyal, it is likely that over time they will continue to use the same store because they have had success in obtaining the desired product. Marketers reinforce this connection between consumers and their

stores by consistently stocking branded items. Given the logical relationship between brand loyalty and store loyalty, one might infer Hispanic consumers' store loyalty from the brand loyalty findings. In the literature regarding brand loyalty of Hispanic consumers, however, there is again inconsistency. Some studies reported that Hispanic consumers are more loyal than non-Hispanic consumers. For example, Adkins reported that 82 per cent of Hispanic consumers stick with preferred brands, compared with 57 per cent of the general US population.²⁴ Similarly, Deshpande *et al.* also found that Hispanic identity is positively related to brand loyalty.²⁵ By contrast, Mulhern and Williams found that Hispanic consumers show no difference from non-Hispanic consumers in brand substitution when there are promotional prices on competing brands.²⁶ Such inconsistency regarding Hispanic consumers' brand loyalty leaves Hispanic consumers' store loyalty inconclusive.

This inconsistency and deficiency in the literature presents a pressing need for more research into Hispanic consumer behaviour. There is a lack of theoretical foundation for the expectation that differences should exist between Hispanic and non-Hispanic purchase behaviour. Most of the research has been based on marketplace observations. Given that more studies have been conducted using self-report information than consumers' actual purchasing behaviour in the literature, research based on actual purchase data would be preferable. What factors might cause differences in the results of these studies? Is this a self-report problem as Mulhern and Williams suggest, or might other factors yield conflicting results?²⁷ The focus of this paper is to investigate potential reasons for the reported conflict in purchase behaviour. For its investigative framework, the paper examines the

impact of product type and store loyalty on the difference in brand preference between Hispanic and non-Hispanic consumers.

RESEARCH QUESTIONS AND HYPOTHESES

Hispanic consumers and brand preference

Given the inconsistent research findings on Hispanic brand choice pattern as indicated in the previous section, this study re-examines the issue. As evidence exists on both sides regarding whether Hispanic consumers purchase more name brands and fewer store brands than do non-Hispanic consumers, a research question, rather than a definite hypothesis, is presented.

Q₁: Are Hispanic consumers different from non-Hispanic consumers in brand preference? If so, how?

Product type and brand preference

Products could be consumed for various purposes. In general, some products are consumed for their usefulness (utilitarian goods), while others are consumed for their ability to provide pleasure (hedonistic goods).²⁸ Relatively speaking, utilitarian products are easier to evaluate on objective functional criteria than are hedonistic products. People associate less personal value with utilitarian products, thus may pay less attention to the brand they purchase for these products than with hedonistic products. As hedonistic products are more personally related, consumers perceive them to have greater risk than utilitarian products.²⁹ As one of the ways to reduce such perceived risk, consumers tend to choose name brands.³⁰ Indeed, Sethuraman and Cole found that for utilitarian products vs hedonistic

products, consumers are less willing to pay a premium price for national brands than for store brands.³¹ Thus, for utilitarian products, consumers may be attracted to store brands for their low price. Therefore, it is hypothesised that:

H₁: Consumers purchase more store brands for utilitarian products than for hedonistic products.

The inconsistency regarding Hispanic consumers' brand preferences has been recorded in the literature; however, not all studies included the same products. Indeed, different studies sampled different product categories. For example, in the Deshpande *et al.* study, the products were laundry detergent, soap and margarine.³² The study reports that Hispanic consumers tend to buy more name brands than do non-Hispanic consumers. In the Mulhern and Williams study, the products were tuna fish, cake mix and gelatin.³³ Here, it is reported that Hispanic consumers tend to buy more store brands for these products than do non-Hispanic consumers. Apparently, the findings of these two studies are inconsistent.

In general, the products included in the 1986 study are more utilitarian than the products in the 1994 study, although one can not claim this for each individual product in the two studies (eg some consumers might consider tuna fish as more utilitarian than margarine).^{34,35} Thus, one potential confounding factor is product type. Integrating this inconsistency and the argument (H₁) that consumers' brand preferences vary with product type, it is possible that the differences between Hispanic and non-Hispanic consumers' brand preferences may be moderated by product type. That is, the difference between Hispanic and non-Hispanic brand preferences varies across product types. Based on the findings in

Deshpande *et al.* and Mulhern and Williams,^{36,37} it is proposed that:

H₂: Product type interacts with ethnicity so that Hispanic consumers buy (a) fewer store brands for utilitarian products and (b) more store brands for hedonistic products than do non-Hispanic consumers.

Store loyalty and brand preference

For various reasons, consumers shop at certain stores with different frequencies. For reasons of convenience or for trust, some consumers are loyal to one particular store so they shop there most of the time. Others might alternate and shop at different stores for deals or for variety. This paper defines the former as 'loyal shoppers' and the latter as 'non-loyal shoppers'. Because of exposure and repetition, regularly shopping at the same store may increase consumers' familiarity with products in the store (eg price, quality, brand, promotion etc). Such product familiarity may increase consumers' understanding and confidence that store brands provide good value, leading to more purchases of store brands.³⁸ Thus, the following is hypothesised:

H₃: Loyal shoppers purchase more store brands than do non-loyal shoppers.

Sethuraman and Cole reported that in order to reduce perceived risk, consumers are willing to pay higher premiums for national brands over store brands in hedonistic products than in utilitarian products.³⁹ This implies that in general, consumers seem to perceive utilitarian products as possessing less risk than do hedonistic products. Because of this lower perceived risk, product

knowledge and experience may help more in the utilitarian product category than in the hedonistic product category. As shopping more at a single store often provides shoppers with more knowledge and experience about the store's product, it is thus proposed:

- H₄: Store loyalty interacts with product type so that the difference in store brand purchases between loyal shoppers and non-loyal shoppers is greater in the utilitarian products than in the hedonistic products.

Hispanic consumers and store loyalty

Hispanic consumers have been described as brand loyal.^{40,41} This probably contributes to their tendency to shop at the same store, especially those stores owned by members of the subculture and stores with Spanish-speaking salespeople.⁴² Regarding the brand loyalty of Hispanic consumers, however, there is again inconsistency in the literature. Some studies reported that Hispanic consumers are more loyal than non-Hispanic consumers, while others indicated no difference between these two groups in terms of brand loyalty.^{43–45} If brand loyalty is related to store loyalty, then such inconsistency regarding Hispanic consumers' brand loyalty leaves Hispanic consumers' store loyalty inconclusive. Thus, two research questions will be explored to investigate Hispanic consumers' store loyalty and its impact on their brand preference:

- Q₂: Are Hispanic consumers different from non-Hispanic consumers in store loyalty?
- Q₃: Does store loyalty interact with ethnicity, so that the difference in brand preference between

Hispanic consumers and non-Hispanic consumers varies by store loyalty?

METHODOLOGY

The data

A large, multiple-store mass merchandiser located in a major South-western city furnished the data for this study. The database consists primarily of daily point-of-sale information over a one-year period (1998), captured at three stores in the same metropolitan area. The data were captured using a loyalty card via checkout scanner, and every transaction in which the card was 'swiped' was recorded. The loyalty card was used in conjunction with a new frequent purchaser programme that gave consumers a rebate after they met a threshold purchase amount. Rewards were based on total purchasing dollars rather than just for certain speciality items, so there was clear incentive for consumers to use the card for each trip made to the store. Information on the full first year of the programme was provided to the researchers, including details of the launch campaign, a cardholder database with names and addresses, a purchase event database and a sku-level sales database of grocery items (both keyed to cardholder) for three separate stores, which, when combined, resulted in a data set of well over one million different shopping trips and several million sku-level product purchases. In addition, the number of unique names and addresses and ID numbers resulted in around 100,000 consumers.

Sample selection

For this study a random sample of 2,000 customers was selected. The database was

reorganised by cardholder ID, name, detailed address, number of purchasing occasions during the year, total dollars spent in the store (using the card) during the year, average amount spent per shopping visit, duration of shopping activity (last day of card use minus first day), shopping interval (average time between purchasing occasions) and actual sku-level purchases for all products.

The focus of this study was to examine the relationships among ethnicity, product type, store loyalty and brand preference. The original sample of 2,000 customers was further reduced to 545 during the process of constructing these variables.

First, those who did not use the card at least 12 times during the one-year period were deleted. Although there is no way to prove that all customers did use the loyalty card for each trip, given the clear incentives of the reward programme it is reasonable to assume that the vast majority did so. Thus, 12 purchases reflect an average of one purchase per month at the store. The researchers felt that if a consumer did not purchase groceries at least once a month at the store, then the consumer's shopping information recorded by the store may not be a reliable reflection of their actual consumption pattern. Including such consumers in the analysis would only confound the results. Thus, these people were dropped.

Secondly, consumers who lived over 35 miles from a store (some consumers lived as far as 150 miles away) were dropped. Because of the distance, these people may make infrequent but heavy purchases around events or holidays. Such purchases again may not reflect their actual consumption pattern. Finally, five hedonistic products and five utilitarian products (selection criteria to be discussed in the following section) were selected to investigate the impact of

product type. There are consumers who shopped at the stores but did not buy any items of the selected hedonistic or utilitarian category. Thus, there is no way to determine these consumers' brand preferences based on the chosen product set. Thus, these people were also dropped from analysis.

The final result is a sample of 545 subjects. It represents a use rate of 27.25 per cent of the original random sample of 2,000. This number is simply an artefact of the researchers' desire to find consistent purchasers. It is deemed as sufficient to investigate the research questions in this study. Nonetheless, with 100,000 names available, a response level to fit any realistic number could have been chosen.

Measurement

Ethnicity, product type, store loyalty and brand preference are the four focal variables in this study. No ready information on measurement of these variables exists in the database provided by the store. The measurement based on previous research was constructed by the researchers.

Ethnicity

In this study, ethnicity refers to whether a person is of Hispanic origin. Since the focus of this paper is in testing the difference between Hispanic and non-Hispanic consumers, consumers in the sample were simply assigned to either the Hispanic group or non-Hispanic group. This was determined by assessing the names provided by the database and deciding whether the card holder was Hispanic. Of course, this is not the most accurate method for identifying members of the Hispanic community. Other methods, such as surveys measuring ethnic identification, might provide a more detailed and accurate profile. Such

a survey method, however, would be difficult and costly to implement with large samples, like those in the present study. While not ideal, this method of identification does have precedent — the original classification of Hispanics used by the US Census Bureau was by examination of surname.⁴⁶ The limitations of this approach are well known, including the underestimation of the Hispanic population.⁴⁷ On the other hand, there is no method which could exactly distinguish Hispanic consumers from non-Hispanic consumers given the great number of races and inter-racial marriages in US society. For most, one method (eg language, self-report etc) may be advantageous over another on certain aspects but disadvantageous on other aspects. For this reason, the name determining method is deemed feasible and acceptable for the current study. This method resulted in 33 per cent of the consumers in the final sample being labelled as of Hispanic origin.

It is noticeable that the Hispanic proportion of the sample is lower than the overall city proportion of Hispanics. At the time of this programme the census reported that the city population was about 55 per cent Hispanic. There are two possible reasons for this discrepancy. First, as noted above, the method used to classify Hispanic shoppers probably underestimates the Hispanic population. Originally, Hispanics were classified based on their surname. The current census uses a classification scheme that allows for the population to self-report their ethnic identification, which often leads to a larger proportion of Hispanics. Secondly, store characteristics may also contribute to a lesser proportion of Hispanic shoppers in the present sample. It is possible that the focal stores in this study do not attract Hispanics in the same proportion as in the population. This might be caused by

the number of ethnic brands the store carries, the number of ethnic staff employed by the store and the promotion it runs toward the Hispanic segment etc. Nevertheless, 33 per cent is a substantial proportion, which is deemed able to provide meaningful results. To test this low proportion, census block group data from the blocks providing the present sample were used. The number of Hispanics was aggregated relative to the total population for the block groups from which the sample was drawn, and it was found that 35 per cent of the population was reported as Hispanic. Thus, based on this result the estimate of 33 per cent is low, but consistent with the population and acceptable given the size of the sample.

Product type

Products could be divided into various categories (eg high involvement vs low involvement, high tech vs low tech etc). In this study, products were categorised as hedonistic or utilitarian. Not all products could be clearly categorised as either hedonistic or utilitarian. Realistically, many products may be located in the middle on a continuum of hedonistic products to utilitarian products. Including such products in the study may obscure the findings. For this reason, a pretest was administered to determine the items for each category.

Twenty-eight grocery items (eg soft drinks, canned vegetables etc) were chosen from the database and 82 consumers (of which 25 were self-identified as Hispanic and 57 were of non-Hispanic background) helped determine which products were hedonistic and utilitarian. Respondents were given a definition of hedonistic (ie goods consumed for their ability to provide pleasure, such as perfume or cologne) and utilitarian products (ie goods consumed for their usefulness,

such as a book bag or paper clip). The surveys for the non-Hispanic respondents were in English, while those for the Hispanic respondents were in both English and Spanish.

Respondents were asked to rate each product on a 10-point scale, with 1 being very utilitarian and 10 being very hedonistic. The mean score for the 28 products was 4.98 and the standard deviation was 1.65. The 28 products were then ranked from low to high according to their mean scores. Five products with the highest means were selected to represent the hedonistic products. They included ice cream, cookies, soft drinks, popcorn and snacks (mean values ranged from 6.96 to 8.15). Another five products with the lowest mean values were chosen to represent the utilitarian products. They included bread, detergents, milk, eggs and cooking oils (mean values ranged from 2.57 to 3.21). Each of these ten products was more than one standard deviation above or below the overall mean. Although not exactly the same, rankings of these ten products showed very limited variations across the Hispanic and non-Hispanic groups. Indeed, the five hedonistic products received the same rankings across the two groups. The five utilitarian products were all ranked among the top six, albeit the specific rankings alternated in the utilitarian category. Thus, it is deemed that such product categorisation was effective and valid across both groups.

Store loyalty

By definition, loyal shoppers tend to buy more frequently and spend more at a certain store than non-loyal shoppers. Therefore, store loyalty was constructed according to consumers' expense on the ten selected products over the one-year period. The total dollar quantity ranged from 0.45 to 2,447.42, with a median of

38.30. Therefore, the sample was then mean split into two groups so that those spending more than \$38.30 were designated as loyal shoppers, while those spending less than \$38.30 were designated as non-loyal shoppers.

Brand preference

This study intended to examine consumers' preference for store brands as opposed to national manufacturer brands. Thus, brand preference was measured by the percentage of store brands relative to their total purchase in certain product categories. Specifically, each product in the two product categories (hedonistic and utilitarian) was first assigned a value of either store brand or national brand. Next, the total units of purchases for the year by product category by consumer was calculated. The purchases for a specific consumer by product category for both store brands and national brands were then summed. Finally, the percentage of purchases that were store brands and national brands relative to the total purchases for the category was calculated. The overall percentage across the two product categories was also calculated. The percentages range between 0 to 100 per cent, with mean values of 3.58 per cent for the hedonistic category, 36.20 per cent for the utilitarian category and 20.12 per cent for the overall purchases.

Analysis

As the way the measurements were constructed, the study involved a 2 (ethnicity) $\times$ 2 (product type) $\times$ 2 (store loyalty) factorial design. Product type is a within-subject factor while the other two are between-subject factors. Therefore, a general linear model (GLM) with repeated measures through SPSS was conducted to examine the research hypotheses and questions.

Table 1: Consumers' store brand usage

	Hispanic consumers			Non-Hispanic consumers			
	Loyal	Non-loyal	Subtotal	Loyal	Non-loyal	Subtotal	Total
<i>Hedonistic products</i>							
Mean (%)	3.05	4.40	3.69	3.26	3.60	3.41	3.58
Standard deviation	0.06	0.14	0.10	0.07	0.15	0.11	0.11
N	95	87	182	209	154	363	545
<i>Utilitarian products</i>							
Mean (%)	37.44	28.79	33.31	38.24	40.35	39.13	36.20
Standard deviation	0.23	0.33	0.28	0.24	0.31	0.27	0.28
N	95	87	182	209	154	363	545
<i>Subtotal</i>							
Mean (%)	19.42	17.70	18.52	20.73	21.09	20.91	20.12
Standard deviation	0.13	0.22	0.18	0.16	0.23	0.20	0.19
N	95	87	182	209	154	363	545

RESULTS

Table 1 presents the descriptive results of consumers' brand preferences across different product categories. As previously discussed, brand preference is measured by the percentage of store brands relative to their total purchase. It appears that consumers' brand preference varies in regard of ethnicity, product type and store loyalty.

The first research question investigates whether there is a difference between Hispanic consumers and non-Hispanic consumers in brand preference. As seen in Table 1, across the product categories, 18.52 per cent of Hispanic consumers' purchases and 20.91 per cent of non-Hispanic consumers' purchases are store brands. The difference is not significant ($p = 0.16$). This finding is very different from the literature, which either states that Hispanic consumers buy fewer store brands or that Hispanic consumers buy more store brands than non-Hispanic consumers.^{48,49} Thus, further analysis is warranted.

From the data analysis perspective, $H_{11} \sim H_4$, together with Q_1 and Q_3 , are examining the main effects and interaction effects of ethnicity, product type and store loyalty on consumers' purchases of store brands. Therefore, GLM with repeated measures was administered, and the

multivariate test results are exhibited in Table 2. It appears that the three-way interaction among ethnicity, product type and store loyalty, as well as the two-way interaction between product type and ethnicity, are significant ($p = 0.027$ and $p = 0.015$, respectively). The interaction between product type and store loyalty is marginally significant ($p = 0.121$). Further, the main effect of product type is significant ($p = 0.000$). Thus, two-way interactions would be interpreted in the context of the three-way interaction, and the main effect needs to be interpreted in the context of two-way interactions. Tables 3 and 4 further present the results of within-subject and between-subject effects. The within-subject test basically replicates the results in the multivariate test. The between-subject test shows that the interaction between ethnicity and store loyalty is marginally significant ($p = 0.072$), the main effect of ethnicity is significant ($p = 0.029$), while the main effect of store loyalty is not ($p = 0.369$). Since the three-way interaction is significant, more analyses were conducted to examine the results. GLM with repeated measures was administered again for both the Hispanic consumers and the non-Hispanic consumers. Results are exhibited in Table 5. It appears that the two-way interaction between product type and store loyalty is significant for

Table 2: Results of multivariate tests

Effect	Wilks' lambda	F-value	Significance	Partial eta squared
Product type	0.472	604.495	0.000	0.528
Product type × Ethnicity	0.989	5.946	0.015	0.011
Product type × Store loyalty	0.996	2.407	0.121	0.004
Product type × Ethnicity × Store loyalty	0.991	4.917	0.027	0.009

Note: The degrees of freedom for the *F*-values are all (1,541).

Table 3: Tests of within-subjects effects

Effect	Wilks' lambda	F-value	Significance	Partial eta squared
Product type	25.574	604.495	0.000	0.528
Product type × Ethnicity	0.252	5.946	0.015	0.011
Product type × Store loyalty	0.102	2.407	0.121	0.004
Product type × Ethnicity × Store loyalty	0.208	4.917	0.027	0.009

Note: The degrees of freedom for the *F*-values are all (1,541).

Table 4: Tests of between-subjects effects

Effect	Wilks' lambda	F-value	Significance	Partial eta squared
Ethnicity	0.208	4.774	0.029	0.009
Store loyalty	0.035	0.809	0.369	0.001
Ethnicity × Store loyalty	0.142	3.259	0.072	0.006

Note: The degrees of freedom for the *F*-values are all (1,541).

Table 5: Interaction effect of product type and store loyalty in different consumer groups

Ethnicity	Effect	Wilks' lambda	F-value	Significance	Partial eta squared
Hispanic consumers	Product type	0.513	170.919	0.000	0.487
	Product type × Store loyalty	0.973	4.950	0.027	0.027
Non-Hispanic consumers	Product type	0.391	562.937	0.000	0.609
	Product type × Store loyalty	0.999	0.559	0.001	

Note: The degrees of freedom for the *F*-values is (1,180) for the Hispanic consumers and (1,361) for the Non-Hispanic consumers.

Hispanic consumers ($p = 0.027$) while insignificant for non-Hispanic consumers. Such difference is further illustrated in Figure 1. The main effect is further examined to fully understand the difference between Hispanic consumers and non-Hispanic consumers. As shown in Figure 1, for Hispanic consumers, the difference in store brand purchases is significant for both loyal shoppers and

non-loyal shoppers. This is true for non-Hispanic consumers as well. Thus, H_1 is strongly supported.

H_2 proposes that for different product categories, Hispanic consumers exhibit different brand preferences from non-Hispanic consumers. As indicated in Table 3, the interaction between product type and ethnicity is significant ($p = 0.015$). Figure 2 illustrates the

Figure 1 Three-way interaction among ethnicity, product type and store loyalty. (a) Product type $\times$ Store loyalty for Hispanic consumers; (b) Product type $\times$ Store loyalty for non-Hispanic consumers

Figure 2 Interaction effect of product type and ethnicity

interaction regardless of the impact of store loyalty. It appears that Hispanic consumers differ from non-Hispanic consumers in terms of store brand purchases mainly in the utilitarian product category (the former buy fewer store brands, $F = 5.517, p = 0.019$), but not in the hedonic product category ($F = 0.087, p = 0.768$). Thus, H_{2a} is supported and H_{2b} is not, but the overall interaction is significant.

H_3 states that loyal shoppers purchase more store brands than do non-loyal shoppers. As illustrated in Figure 1, the difference between loyal shoppers and non-loyal shoppers is not significant in any of the situations. Thus, H_3 is not supported.

H_4 proposes that the difference in store brand purchases between loyal shoppers and non-loyal shoppers is greater in the utilitarian products than in the hedonic products. Table 3 shows that the interaction between product type and store loyalty is marginally significant ($p = 0.121$). As exhibited in Table 5, the interaction effect is significant for Hispanic consumers ($p = 0.027$) while not for non-Hispanic consumers ($p = 0.559$). Therefore, H_4 is partially supported.

Q_2 explores whether Hispanic consumers differ from non-Hispanic consumers in store loyalty. Cross tabulation (see Table 6) indicates that there is no relationship between ethnicity and store loyalty ($p = 0.528$).

Table 6: Store loyalty $\times$ ethnicity cross tabulation

Store loyalty	Ethnicity		Total
	Hispanic	Non-Hispanic	
Loyal (%)	15.8	34.0	49.8
Non-Loyal (%)	17.1	33.1	50.2
Total (%)	32.9	67.1	100

$$\chi^2(1) = 0.398, p = 0.528.$$

Table 7: Interaction effect of ethnicity and store loyalty for different product types

Product Type	Effect	F-value	Significance	Partial eta squared
Hedonistic product	Ethnicity	0.089	0.766	0.000
	Store loyalty	0.741	0.390	0.001
	Ethnicity $\times$ Store loyalty	0.270	0.604	0.000
Utilitarian product	Ethnicity	6.177	0.013	0.011
	Store loyalty	1.731	0.189	0.003
	Ethnicity $\times$ Store loyalty	4.673	0.031	0.009

Note: The degrees of freedom for the F -values is (1,541).

Q_3 investigates whether the ethnicity interacts with store loyalty so that the difference in brand preference between Hispanic consumers and non-Hispanic consumers varies by store loyalty. As shown in Table 4, this interaction is marginally significant ($p = 0.072$). Since the three-way interaction between ethnicity, product type and store loyalty is significant, however, this question was further explored in different product types, and the results are presented in Table 7. It appears that the interaction between ethnicity and store loyalty is significant only for utilitarian products but not for hedonistic products ($p = 0.031$ and $p = 0.604$, respectively). Figure 3 further illustrates such differences. Apparently, the difference comes from non-loyal shoppers for the utilitarian products between Hispanic and non-Hispanic consumers.

DISCUSSION

Alternative explanation to inconsistency in the literature

The authors' objective was to examine three research questions and hypotheses

which explored the differences between Hispanic shoppers and non-Hispanic shoppers. It is found that in general there is no difference between Hispanic and non-Hispanic consumers in terms of store brand preference (Q_1). Such a result may not be too surprising when one examines the literature beyond the consumer behaviour arena. For example, in a study of the ethical perceptions of Hispanics vs Anglo-Americans in the USA, Shepherd and associates found that there were no significant differences between Hispanic-Americans and Anglo-Americans in most ethical measurements.⁵⁰ Such absence of differences was not even affected by the strength of ethnical identification. Thus, they cautioned that researchers as well as managers be aware of the possible exaggerations of cultural differences between Hispanics and Anglo-Americans in the USA. The results of the present study seem to provide some support to their contention.

When product type is considered, however, Hispanic consumers do exhibit differences from non-Hispanic consumers. It is found that Hispanic consumers buy fewer store brands than do non-Hispanic

Figure 3 Interaction between ethnicity and store loyalty for different product types. (a) Ethnicity $\times$ Store loyalty for hedonistic product; (b) Ethnicity $\times$ Store loyalty for utilitarian product

consumers for utilitarian products, but they buy the same volume of store brands as non-Hispanic consumers for hedonistic products (H_2). In the present study, Hispanic consumers buy 3.69 per cent of store brands, while non-Hispanic consumers buy 3.41 per cent for hedonistic products. Although the difference is not significant, the former is directionally larger than the latter. In this sense, the results seem to loosely reflect the findings in the studies of Deshpande *et al.* and Mulhern and Williams.^{51,52} In exploring Q_3 , it was further found that the difference between Hispanic and non-Hispanic consumers in brand preference for the hedonistic products actually comes from non-loyal shoppers.

Previous research has suggested that one of the primary reasons for conflicting results on Hispanic consumers' brand preferences in the literature was the use of difference measures (self-report measures as opposed to actual purchase behaviour).⁵³ While applying only the actual purchase behaviour in this study, it was demonstrated that product type and store loyalty contribute to possible dissimilarity between Hispanic and non-Hispanic consumers in brand

preference. Thus, the findings provide an alternative explanation to the inconsistent findings in the literature. That is, previous findings might have been confounded by factors such as product type and store loyalty.

Of course, these two may not be the only possible confounding factors. For instance, in the Deshpande *et al.* study, consumption differences were examined between 'strong' and 'weak' Hispanics, while in the Mulhern and Williams study, all Hispanics were treated as the same.^{54,55} Further, Donthu and Cherian found that strongly-identified Hispanics are more likely than weakly-identified Hispanics to seek Hispanic vendors, to be loyal to brands used by family and friends, to be influenced by targeted media and to be less concerned about economic value.⁵⁶ Thus, it is likely that the strength of ethnic identification may also have contributed to the dissimilarity between results in Deshpande *et al.* and those in Mulhern and Williams.^{57,58} The present study treated all Hispanics as the same, thus is not able to test such a possibility. Future research could certainly be conducted toward this purpose, as well as looking into other possible factors.

Product type and brand preference

The results show that consumers purchase more store brands for utilitarian products than for hedonistic products (H_1). This tendency was evident regardless of whether the subject was Hispanic or non-Hispanic. This result is consistent with the finding by Sethuraman and Cole⁵⁹ that consumers are willing to pay high premiums for national brands over store brands for hedonistic products but not for utilitarian products. It is clear that store brand purchasing takes place when products are more functional to consumers, such as utilitarian goods. This is especially the case for non-Hispanic consumers (H_2). Therefore, retailers who want to develop store brands should start with, and may have greater success if they spend more effort on, utilitarian products.

Store loyalty and brand preference

The second question explored whether or not Hispanics differ from non-Hispanics in store loyalty (Q_2). No relationship between loyalty and ethnicity was found. Therefore, managers can assume that shopping frequency and shopping volume are irrelevant to ethnicity, provided that the appropriate brands and quality of goods are available. Further, the findings were unable to support the notion that loyal shoppers purchase more store brands than non-loyal shoppers (H_3). The implications of this are that managers cannot depend solely on shopper frequency in helping to promote store brands. Store brands must be tried, experienced and promoted just as national brands so that shoppers can make intelligent choices.

The third question is only partially answered with respect to whether there are differences in brand preference and its interaction with store loyalty and

ethnicity (Q_3). It is clear that product type matters, but only for Hispanics in terms of the difference in store brand purchase between loyal shoppers and non-loyal shoppers. Thus, for store managers that have a high concentration of Hispanic shoppers, it might be effective to promote store brands of utilitarian type products to loyal shoppers. For example, a policy could be put forward so that the loyalty card could be used to gain a discount on store brands.

This paper takes the position that there is no expectation of difference between Hispanics and non-Hispanics. Our reason is that as Hispanics become more assimilated, they are more likely to exhibit the behaviours of the population as a whole.⁶⁰

Limitations and future research

This study has limitations that future research may try to overcome. First, the ability to identify Hispanics *post hoc* is likely to inhibit an accurate count of Hispanic purchasers. Resources permitted, a better method for identification of ethnicity would be to have a self-report measure. Secondly, the use of only grocery items may have limited the variance that can be obtained between hedonistic and utilitarian products, even though the final products were chosen from a set of 28 items. Future research should evaluate items other than grocery items. Thirdly, constrained by the available information from the store, a loyalty card sample was used. By doing this, the figures have actually eliminated those who purchased at the store yet did not enrol in the loyalty programme. This may have contributed to the inability to differentiate between types of loyalty shoppers. Future research should categorise types of loyalty shoppers in

different ways so that more variance can be extracted to explain the differences in purchase behaviour. Fourthly, the data come from a city that has a geographical location that would imply that most Hispanics are of Mexican origin. Thus, although Hispanics of Mexican origin are the largest subgroup of Hispanics, it is difficult to extend the results beyond this subgroup with much confidence. Future research might even investigate the possible differences between various sub-Hispanic segments (Hispanics of Mexican origin vs Hispanics of Puerto Rican origin etc). Fifthly, the finding of little difference in purchase behaviours could be an artefact of the level of acculturation of Hispanics in the marketplace. For example, Shanmuganathan *et al.* noted that Hispanics who speak mainly English or are bilingual tend to act more like their non-Hispanic counterparts.⁶¹ While the data for this study were gathered over a one-year period, it was not a longitudinal study in the sense that it did not measure the change in Hispanic behaviour over a long duration. Thus, it is not possible to determine whether there is an artefact; however, marketers should be aware of the level of acculturation in the marketplace. Future research needs to investigate the possible time effects on Hispanic purchase behaviour. Sixthly, while dollar purchase amount was used as an indicator of store loyalty, this might be confounded by factors such as family size, income etc. Future research should investigate the relationships between these variables and store loyalty.

Overall, the results add to the literature with respect to the understanding of Hispanic purchase behaviour. Using actual purchase data, the results demonstrate that other factors such as ethnicity and product type play an important role in determining the use

of store brands vs national manufacturer brands. Thus, this paper provides an alternative view as to why there are differences in the previously reported research on Hispanic purchase behaviour.

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