

# What Matters in Consumer Purchase Decision of Private Label Brands

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## ABSTRACT

The evolution of private label brand leads the different level of competition between retailers, private label brand and leading brand manufacturers. The major fruitfulness of private label brand is no more hidden marketers know that the private label brand can enhance the bargaining power of retailers over the leading brand manufacturer. The retail sector of India is repeatedly observing the transformation in local structure and this transformation caused as the Indian consumers start to focus on the private label brand as compare to leading brands. These changes also influenced the promotion mix strategies of private label brand. Supermarkets in India become more prominent and more sophisticated; their private labels are becoming more ubiquitous generating opportunities for store branding and margin control. Global food retailers have for long acknowledged the potential of private labels and have positioned their private labels as brands in their rights with the objective to analyse the buying decision of the consumer towards the private label brands. To get a complete picture of the various factors that influence the consumer buying decision study focus on awareness, quality, price and consumer perception towards the private label brand. The present empirical study will provide a significant implication for the private label brand strategist.

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## 1. Introduction

Private label brands are brands owned, controlled, and sold exclusively by a retailer. The complete research revolves around knowing the perception of consumers towards the private labels in terms of intrinsic and extrinsic cues such as awareness, quality, i.e. performance and price as compared to national brands. Private labels brands products are increasing demand in the market in various countries around the globe. Earlier this was not a scenario especially with the private label brand as it was restricted and incorporated through some retailers or local stores, but nowadays the private label brands command a large and significant market share. It confirmed that the private label brand shares were getting increases dynamically in the western market too it indicates that the private label brand share increase from 16 percent in 2005 to 20 percent in 2011 and now 2016 it reach to 23 percent. This consumer acceptance leads the private label brand account 41 billion dollars sales in a western supermarket in 2006 and in 2015 it was recorded the sale of private label brand to 62.5 billion dollars (Private Labels Manufacturers Association, 2016).

The retailers get various benefits from selling private label brands even though the retailers need to consider some further merchandising and inventory costs, but with this private label brand provide the twenty to thirty percent of margins as compared to the leading brands (Hoch and Banerji, 1993; Hoch, 1996, A.C. Nielsen, 2005). It was noted that it is easy to get feedback on sales which quickly identify the market change, lead to private label brand awareness and generate the consumer loyalty towards the store as well (Corstjens and Lal, 2000). The private label brands also help to differentiate the store form the competition, significantly enhance the retailer's negotiations position with supplier which indirectly

decrease the bargaining power of supplier for them and provide substantial of strategic flexibility and control (Hoch, 1996; Nandan and Dickinson, 1994; Scott Morton and Zettelmeyer, 2001). It has been strongly argued that (Quelch and Harding, 1996), nevertheless the private label brand private benefits to its manufacturer too and this are far obvious even though if manufacturer producing private label brands and also manufacturer the retailer's brands in which it competes against their own brands. In few studies it was supported that the production of private label brand and retailers brand form the similar manufacturer (Kaven and Call, 1967; Dunne and Narasimhan, 1999), in the light of this various arguments presented that explains the why leading brand manufacture makes the store brands (Quelch and Harding, 1996; Kaven and Call, 1967; Dunne and Narasimhan, 1999). One of the cause that why leading brand manufacture makes the store brands is they have incentives to supply private label brands which allow them to fill the idle capacity. Some validate the supply of private label brand as a buffer between leading brands and follower brands. Finally, the supply of private label brands justifies as in general, and it increases the power of retailers (Corsten and Kumar, 2005). Still theses all arguments do not clarify the phenomenon satisfactorily. In the present study, we are analysing the role of various factors including awareness, quality and price in the consumer decision making towards the buying of private label brand.

## 2. Theory

Academics and researchers have not overlooked the evolution of private label brand. Research on private label brand has been abundant in recent years (Ailawadi and Keller, 2004; Hyman et al., 2010). However, still, we can notice the few fundamental gaps in the body of literature relating to the private label brand as few studies only consider the private

label brand with the branding theory perspective. As knowing the fact that the private label brand mainly associated with price and due to it has been considered as price sensitive segment. Nevertheless few studies also claim the need for different perspective towards the private label brand analysis where the comparison between leading brand and private label brand can be possible (Kapferer, 2008).

### **Private Label Brand in India**

The retail sector of India witnessed the dynamic change in his structure as notifying that the Indian consumers are focusing on the private label brand as compared to leading brands. These changes influenced by the promotion mix strategies of private label brands (Knight Fran Report, 2016). India Brand Equity Foundation report confirms that in January 2016, the total sale of the Indian retail sector is 600 billion US dollars and in future because of private labelling it may reach 1300 billion. According to the KPMG report, private labels brands constitute around 10-12 per cent of the organised retail product market in India and their share is expected to nurture even in the present economic setting.

Indian retailers are now trying to develop credible in-store brands with the same combination of care and knowledge as manufacturers of national brands. Increasingly, Private labels are no longer available in staid white and black packages. Urban retailers have revived the private labels from their old traditional image of being 'cheap substitutes', as these private labels are now a fixed source of revenue generation. In the race of fetching higher profit margins in today's cut-throat scenario, the power of private labels in certain categories is being explored by most modern Indian retailers as they no longer want to be at the mercy of the manufacturer brands. By developing the private label portfolio, a retailer can even fill a gap which may not be sufficiently addressed by a national brand. Apart from this most shoppers are not aware of the better choice, quality and price offered by the retailer's private labels. They still consider private labels as poor cousins of manufacturer's brands, comprising upon quality.

### **Benefits of Private Label Brand**

It has been confirmed that the elevation of private label brand brought a bundle of benefits for retailers such as the increased bargaining powers over manufacture. (Farris and Ailawadi, 1992; Pauwels and Srinivasan, 2002), significantly enhanced the revenues with providing huge margins as compare to leading brand manufacturer (Ailawadi and Harlam, 2002, 2004; Hoch and Banerji, 1993); rebranding and extension of dormant product category (Hauser and Shugan, 1983; Scott and Zettelmeyer, 2004) and also provide strategic benefits with enhancement in-store image at local level, build loyalty and provide the store differentiation (Ailawadi et al., 2008; Corstjens and Lal, 2000). Rationally speaking the entry of private label brand develop the competitive dynamics between the private label brand manufacture and national or leading brand manufacturer (Hoch and Banerji, 1993; Pauwels and Srinivasan, 2002) and this sets the different changes for the both of them. In the present scenario the retailers need to put into practice the branding strategies which will ensure the success of private label brand. The leading brand manufacturer is competing with the new players who have

pretty good control over distribution and finding himself truly relent to the consumers. Acknowledging the above literature facts, it has been noted that the consumer is the key player who can ensure the failure and success of private label brand with their choice. Due to this now it crucially important to identify the key factors which will drive the private label brand at the top priority in the mind of consumers.

### **Key Factors in Private Label Brand**

While studying the key factors which can influence the consumers to purchase decision towards the buying of providing label brand it has been found that the product categories are more significantly affect than consumer characteristics (Hoch and Banerji, 1993; Sethuraman, 1996). The product categories also help the consumer to determine their perceived risk and leading them to the assurance of quality of goods while they are making their buying decision of private label brand. The various studies reveals that the perceived low level of risk in the relation of the performance of the private label brand enhances the probability of selection private label brand by the potential consumers of private label brand (Erdem et al., 2004; Baltas, 1997; Richardson et al., 1996).

It also noted that consumer involvement in the buying decision and product category moderated the buying decision of a private label brand (Batra and Sinha, 2000; Kapferer, 2008). Hence the significant change for the private label brand is to reduce the negative perception of consumers towards the private label brand. With the help of quality emphasising messages can reduce the negative perception of consumers towards the private label brand and also can lead consumer perception to positive direction (Erdem et al., 2004). The negative perception can also reduce significantly by reducing the price gap between leading brand private label brand (Kapferer, 2008). Communication and pricing strategy will show the aggressiveness of private label brand at two levels; one is marketing communication and product quality (Dekimpe and Steenkamp, 2002).

The brand awareness confirms the better knowledge of product category which ultimately takes the consumer at brand salience level and with this the consumer efficiently evaluates the different brand alternatives including the private label brand (Miquel et al., 2002). The significance of product quality has been highlighted regularly in various academic and industrial researches (Richardson et al., 1996; Medina et al., 2004), for instance, the product quality is crucially important for the consumer as compared to the image (Ailawadi, Gedenk and Neslin, 2003). It is also noted that few consumer select the private label brand on the ground of social acceptance (Zielke and Dobbstein, 2007). From the above literature facts it is confirmed then there are various factors which influence the consumer buying decision towards the private label brand including awareness factor, quality factor, price factor and perception of consumers towards the private label brand.

### **Conceptual Model**

Development of a conceptual model is a way to check whether that variable influences the strength of the relation between an independent and dependent variable. Data

analysis was done by with the use of SPSS-22, to understand whether Awareness Factor, Price Factor and Quality Factor play a role or not while respondents are deciding to purchase

private label brand. Data was collected from the respondent with consideration of the purchase of private label brand.

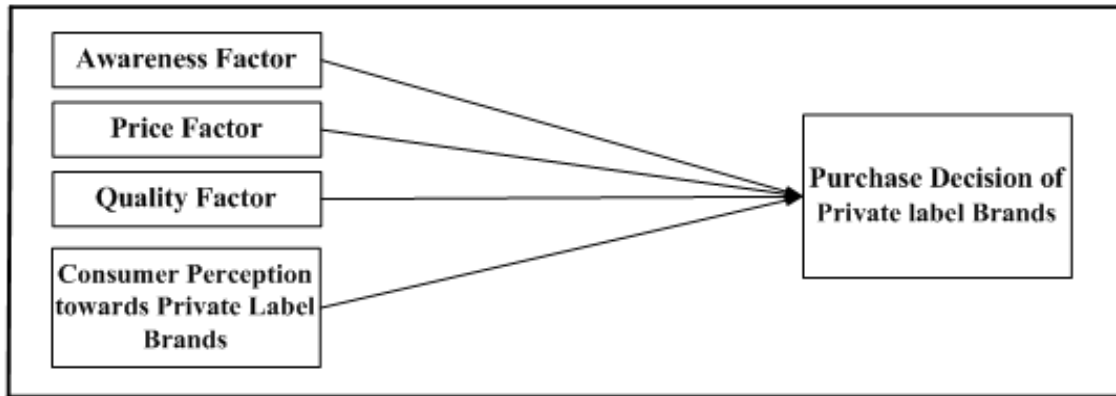


Figure: 1- Conceptual model of Purchase Decision of Private Label Brands

**3. Research Methodology**

The data collection performed through an exclusive survey of 360 consumers of top retail chains in the domestic product segment. The information, collected through a structured survey. A convenience sampling procedure was used to conduct a consumer survey. Although predefined quotas were not strictly set, the researchers endeavoured to obtain a sample that was somewhat representative of supermarket shoppers in India. Questionnaires were deployed using the self-administered, mall intercept method at local shopping supermarket centres. This approach was adopted to facilitate desirable questionnaire completion. A introductory check was done in the field, to recognise and remedy any deviations, omissions or apparent mistakes with the questionnaire. The data from self-administered questionnaires was then captured, cleaned, coded and analyzed. Finally, the data were tested for normality, and this was confirmed to be in order.

In this light, we researched four products namely Liquid Hand Wash, Dishwasher, Mosquito repellent and glass cleaner. Data collection was done at various stores. The sample size of 400 consumers was collected and after deletion of some questionnaire due to unanswered by respondent 360

samples used for final analysis. The description is used for frequencies, averages and other statistical calculations. Qualitative research often has the aim of description and researchers may follow-up with examinations of why the observations exist and what the implications of the findings. With the help of an extensive literature search, we formulate following the proposition. With the extensive literature search, we formulate the following hypotheses;

- H1: There is positive relationship between awareness factor and purchase of private label brands.
- H2: There is positive relationship between price factor and purchase of private label brands.
- H3: There is positive relationship between quality factor and purchase of private label brands.
- H4: There is positive relationship between consumer perception and purchase of private label brands.

**4. Data Analysis and Findings**

The data analysis performed with the help of IBM SPSS 22. We run multiple regression analysis to know the effect of awareness factor, price factor, quality factor and consumer perception on purchase of private label brands.

**Regression Analysis**

Descriptive Statistics			
	Mean	Std. Deviation	N
Purchase Decision	5.4028	1.66112	360
Awareness Factor	5.5861	1.46769	360
Quality Factor	5.4611	1.59862	360
Price Factor	5.4778	1.63170	360
Consumer Perception	5.5056	1.53146	360

The above table explains Descriptive Statistics of present study constructs with their respective mean standard deviation and a total number of sample. The mean and standard deviation standard deviation is 5.4028 and 1.66112, for

Awareness Factor is 5.5861 and 1.46769, for Quality Factor 5.4611 and 1.59862, for Price Factor 5.4778 and 1.63170 and Consumer Perception is 5.5056 and 1.53146.

Model Summary										
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.775	.600	.596	1.05606	.600	133.305	4	355	.000	1.872
a. Predictors: (Constant), Awareness Factor, Price Factor, Quality Factor, Consumer Perception										
b. Dependent Variable: Purchase Decision										

The above regression analysis shows that the Awareness Factor, Price Factor, Quality Factor, Consumer Perception is used as a predictor; this is the simple correlation between Predictors and dependent variables are 0.775. For this model, its value is .600, which means that Predictors accounts for

60% of the variation in Purchase Decision of private label brand. The value of Durbin-Watson indicates that the assumption of multiple regressions that is 'independent errors' is tenable, as the value of Durbin-Watson come very close to 2.

Coefficients								
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Correlations	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	.511	.220		2.324	.021		
	Awareness Factor	.769	.121	.679	6.346	.000	.598	3.175
	Quality Factor	.101	.074	.097	1.364	.003	.423	4.489
	Price Factor	.065	.074	.064	.874	.023	.411	4.740
	Consumer Perception	.056	.095	.052	.588	.036	.345	6.880
a. Dependent Variable: Purchase Decision								

The output of ANOVA confirms the regression model overall predicts Purchase Decision significantly well as for these data, F is 133.305, which is significant at  $p < .005$ . From values of coefficients, it was found that there is a positive relationship between predictors and Dependent Variable, as it showed that Awareness Factor, Price Factor, Quality Factor and Consumer Perception positively associated with Purchase Decision. The value of t-test for its level of significance represents that all predictors were making a significant

contribution to the model. The Tolerance and Variance Inflation Factor (VIF) confirms the Collinearity Statistics of the model and as the value of Tolerance is more significant than .2 and no values of VIF is higher than 10, so it confirms that the multicollinearity does not cause our present model. The 'Coefficients' represents the model parameters and provides the value of all predictors related to the dependent variable. The multiple regressions analysis forms the following equation.

<b>Regression Model</b>
<b>Purchase Decision = .511 + (.769 Awareness Factor) + (.101Quality Factor) + (.065Price Factor) + (.056 Consumer Perception)</b>

From multiple regression analysis, it confirms the acceptance of all alternative hypotheses which means that there is positive relationship exist between Awareness Factor, Price Factor, Quality Factor and Consumer Perception positively associated with Purchase Decision of private label brands.

**5. Discussion and Conclusion**

Based on the present research observations, it is implied that consumers think about the quality and price of private label brands even if it is not similar to that of leading brand. It also noted that consumers do not believe that low price essentially means low quality. The private label brands have been successful in establishing itself as middle to upper range product. Though the prices are increasing, as per the output of regression analysis consumers prefer to go for private label brands s, with consideration of awareness, quality and price, this finding can be a hold up to the companies who suppose

that their cost effective pricing will be sufficient for the consumers to get fascinated by the private label brand. When it comes to consumers who buy the private label, it is found out that it is frequently consumers with low income will buy these products. Hence to some extent, the private labels need to position as a for the middle or upper-class brand. Strong resistance to this ideology has been found as a continuous rise in prices of products have forced customers to switch from leading brands to private label brands. Despite the increase in the price of every commodity, consumers are not going for private labels. This is an indication of the Trust people have on the performance and quality of leading brands, which is the biggest challenge for the private labels.

Private labels have failed to impress the people in terms of awareness and quality. Though the private labels are priced much cost competitively, still they are not able to overtake leading brands. Thus contrary to the general notion, price is

not the only indicator to drive the consumers for choosing a product, but awareness, quality and consumer perception also become significant factors. Thus in the context of price and performance, though the private label has been positioned as cost competitive alternative to the leading brands, consumers still prefer to go for leading brands implying that private label brands have failed somewhere to live up to the expected performance criteria.

In conclusion, the present study noted that the private label brand still lacks in terms of its awareness, pricing strategies, quality and positive consumer perception. From the present analysis, it is confirmed that awareness is the most crucial factor which affects the private label brands purchase decision. The quality of private label brand also affects the private label brands purchase decision significantly. From these findings, it is revealed that the private label brand strategies need to think about their communication strategies

and formulate the future communication strategies which will lead the awareness of private label brand in the mind of consumers. Also brand quality focused promotion mix can lead the positive consumer perception towards the private label brand.

The limitation of this investigation is the sample size and selection of a few private label brands which can affect the generalizability of the critical findings of this study. For future research prospective researcher can run the present study with consideration of segments of consumer markets such as the present study can run in future with consideration gender effect, income effect age effect in the buying decision of private label brand. For future research perspective, the implementation of present model in the relation of private label brand analysis may lead the generalizability of present study model.

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