CONSUMERS INTENTION OF BUYING PRIVATE LABEL BRANDS IN FOOD AND GROCERY RETAIL SECTOR IN CHENNAI

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ABSTRACT

Purpose: Private label brands enjoy different level of acceptance and perceived risk and the level of attention towards this brand varies based on the product categories and different elements of marketing mix. This paper explores consumers’ intention to buy private label brands. More specifically, this study focuses on private label food and grocery items.

Design/Methodology/ approach: The research involved review of available literature on factors affecting consumers’ attitude towards private label products. For, collection of data questionnaire was designed and data was collected from 800 consumers in the area of Chennai, in Tamilnadu.

Findings: Data analysis using statistical tools showed that consumers’ purchase intention is influenced by consumers’ perceived benefits, perceived economic situation, perceived price consciousness, perceived risk and perceived quality.

Research Limitations/ implications: This relates to limited number of food and grocery items taken for study and restricted geographical area of field of research.

Originality/ Value: Considering increasing awareness towards own label products, this study contributes to academic body of knowledge, by examining consumers’ perception about own label food and grocery items. By testing existing knowledge in the new context, the paper provides insights for practitioners.

Key words: Intention, Private label brands, Food and Grocery items, Perception.

Paper Type: Research Paper
1. INTRODUCTION

Brand name of any product has always been of great importance in determining perception about the brand quality and attitude towards the brand. The growth of market share of private label brands, also known as store brands, has accelerated in recent years. The expansion of private label brands is driven by two factors and they are consumers’ familiarity towards PLBs and retailers motivation for higher profit along with retailers’ capability to manage PLBs effectively. The market share of private label brands is still on increase in Indian market. Sales of PLBs in Indian market have not peaked yet, and are still growing making Indian market a compelling space to study, analyze, and predict the future success and growth of PLBs.

Another factor to be considered in Indian market is uneven development of product categories under PLBs. Because now more PLBs are found in food, home care and other low end product categories. Hoch and Banerji (1993) have found that performance of PLBs varies across different product categories. As shelf-life of products varies and the purpose of purchase differs based on nature of product and the ability to satisfy need of consumers’ the market share of different product categories under PLBs varies. Question that emerge due to these differences include: “How should retailer determine the potential for new product category under private branding?” “Why one category is preferred compared to another?” and “What effective measures should be taken by retailers to have most promising successful performance from PLBs?” Addressing these questions will enable the retailers to suggest alternative routes to position PLBs in more relevant, competitive and unique manner.

Most previous research on PLBs has focused on consumers’ characteristics that affect private brand purchase intention, such as demographic characteristics (Batlas 2000; Richardson et al., 1996), price sensitivity (Garretson et al., 2002), risk aversion (Ailawadi et al., 2001). The purpose of this study is to find the relationship between consumer characteristics and private brand purchase intent. This study mainly sheds light on the effect of perceived consumer characteristics including attitude, familiarity, price consciousness, perceived quality, perceived economic situation and perceived risk, which is considered to be major determinant in private brand purchase in the literature. The findings of this study focus on difference in consumers’ perception towards national brands and private label brands and reveal the effect of perception across different consumer factors.

2. LITERATURE REVIEW

The growth of PLBs in super market chains in Chennai is changing the “rule of the game” in food and grocery retail sector. Many researchers have examined consumers’ perception towards PLBs mainly in the mature market where their use is widely spread (Veloutsou et al., 2004), (Pendergast and Marr., 1997). Following this, several factors that have been identified to influence purchase intention towards PLBs have been given in the following paragraph.

2.1 Consumer Factors affecting Intention to Purchase PLBs

Consumer attitude

Attitudes can be described as an individual’s favorable or unfavorable inclination towards an attribute of an object which will lead to a tendency to act or behave in a predictable way in relation to it. Attitudes represent therefore a crucial link between customers’ views of a product and what they decide to buy (Perry, 1969, p. 34). This is because attitudes not only partly clarify consumer behavior, but they are also modifiable by marketing activity. Burton et al. (1998) found in a grocery store setting that PB attitude is positively related to the actual percentage of PB purchase on a shopping trip, and PB attitude is the strongest predictor of the percentage of PB purchase in relation to other price perceptions, deal perceptions, and other marketing related constructs.
Perceived benefits

Consumer intention of purchasing PLBs is influenced by his attitude which affected by perceived benefits, the benefit resulting from price and perceived quality is found to be significant. Price quality perception and association affects consumer attitude towards PLBs (Burton et al., 1998, Beldona and Wysong, 2007, Garretson et al., 2002). Variation in price consciousness across product categories is a significant reason why consumers buy product in some categories and not in others.

Perceived economic situation

Another factor that has found to have impact on consumer intention to purchase PLBs is perceived economic situation. The role of economic situation is influencing consumption trends (Karlsson et al., 1998), and found that the economic situation as perceived by consumers, influence the way they evaluate products. Chaniotakis et al., 2009, found that perceived economic situation has effect on perceived benefits and consumers’ attitude towards PLBs.

Perceived Quality

Many retailers are beginning to offer premium private label lines to further capitalize on the exclusivity of their distribution center and name (Crain, 2003; Heller, 2001; Salmon, and Cmar, 1987). González Mieres et al. (2006) who found that perceived quality differences between store and manufacturer brands are important in influencing consumer attitudes towards these products. Similarly, Baltas and Argouslidis (2007) showed that quality has the most significant role when evaluating store brands.

Perceived Risk

Dunn et al. (1986) find that consumers regard Private Label Brands as most risky on performance measures compared to national brands, also found that Private Label Brands are least risky on financial measures; however, social risk is less important for supermarket products generally. The greater the perceived risk associated with Private Label Brands, the lower the consumer Private Label Brand proneness (Dunn et al., 1986; Erdem et al., 2004; Richardson et al., 1996). When consumers consider that purchasing a wrong brand may have some important negative consequences, they are more likely to buy national brands. An explanation for this behavior is that national brands provide a safer choice in many consumption situations (Baltas, 1997).

Income

Next to the factors presented above, there are specific consumer characteristics like income which are associated with difference in PLBs demand and explain varying preferences towards (Akbay and Jones, 2005).

Along these lines the main research aims to explore the variables that affect the customer’s intention of buying own label brand and to examine how these variables are interrelated. The objectives of this study are

1. To identify the variable that influence consumer’s intention of buying Private Label brands based on previous research studies.
2. To extract maximum common variance from all variables and put them into common score by using factor analysis technique.
3. To predict customer’s intention to purchase Private Label brands by using statistical tools.

2.2 Factor that affect Purchase of PLB Food and Grocery Items

With respect of food and grocery items, there are several studies which examine consumer factors that influence purchase of food and grocery items. However, there are very few studies on
consumer intention to purchase PLB food and grocery items based on their perception towards PLB food and grocery items.

The factors that have significant importance in purchasing PLB food and grocery items refer to:

**Consumer attitude**

The attitudes of consumers towards own-labels are found to be important in affecting the intention of buying such products. More specific, Chaniotakis et al. (2009) highlighted the vital role of attitudes and suggested that retail chains should try to influence consumers so that they form positive attitudes toward private-labels.

**Perceived Benefits (Price, Packaging and Benefits)**

Consumers’ willingness to purchase own label products is closely related to the importance given to the fulfillment of expectations when choosing these products (Veloutsou et al., 2004). Particularly, the benefits resulting from price and perceived quality of own label products are found to be significant. Consumer intention of purchasing private labels is influenced by consumer attitudes toward these products, which are affected by the related perceived benefits (Chaniotakis et al., 2009).

Majority of previous studies have identified factors that contribute to purchase intention of PLB food and grocery items, perceived benefits, such as price, quality, economic situation, value for money, packaging, familiarity and consumers’ personal characteristics such as income, educational qualification. At the same time, previous studies have shown that the consumers’ perceive benefit due to low price of PLBs is the significant factor in influencing purchase intention towards PLB food and grocery items.

So based on the findings from previous studies, it would be challenging to find the most important perceptual factor that influence purchase decision with regard to PLB food and grocery items. Therefore, identifying how the consumer factors have impact on purchase intention towards PLBs and closely examining other factors like familiarity, attitude, quality, risk, economic situation and price consciousness in buying process, appears to be more interesting. Furthermore, analysis of data based on the set hypotheses helps to fulfill research gap with respect to factors that influence the intention to purchase PLB food and grocery items.

3. METHODOLOGY

To meet the research objectives of this study, a survey was designed and conducted in the area of Chennai. The targeted population was men and woman, adults, consumers of PLBs. The quantitative data were collected by conducting mall intercept interview technique. Consumers, with different socio-economic characteristics were included in the sample and the final sample included 800 consumers who answered the questionnaire used in the study. Qualitative research was used to confirm variables identified in the study to relate to purchase intention, measurement scales were used to refine questions in the final survey questionnaire. For the analysis of data all variables were measured using seven-point scale (7= completely agree, 1= completely disagree).

4. DATA ANALYSIS

The reliability of the scales was tested by using cronbach’s alpha coefficient. All scales of latent variable were found to be reliable. For Perceived Benefits (PB), the cronbach’s alpha was 0.702. For Perceived Quality (PQ), the cronbach’s alpha was 0.727. For Perceived Risk (PR), 0.826 and for Perceived Economic Situation (PES) the cronbach’s alpha was 0.714.
Factor Analysis was used to test how several variables simultaneously affect purchase Intention. This method has the ability to explore variables related to perceptual factors. The intention of purchasing private label brand is influenced by different factors.

**Perceptual Factors**

Perceptual factor is one of the important factor which leads to increase in store traffic and ultimately lead to customer store loyalty. In order to identify the key dimensions that play a major role in identifying the factors that lead to consumer Perception, factor analysis was done.

The dimension Perceptual Factors has 12 constructs. The factor analysis yielded three factor dimensions. Table 1 gives the findings of the rotated factor matrix for all the three factors.

**Table 1:** Rotated factor matrix for Perceptual Factors towards PLB Food and Grocery Items.

<table>
<thead>
<tr>
<th>Constructs</th>
<th>Factor 1</th>
<th>Factor 2</th>
<th>Factor 3</th>
<th>Communality</th>
</tr>
</thead>
<tbody>
<tr>
<td>PF1</td>
<td>-.03002</td>
<td>-.03566</td>
<td>.39026</td>
<td>.66081</td>
</tr>
<tr>
<td>PF2</td>
<td>-.04803</td>
<td>-.03638</td>
<td>.42092</td>
<td>.74727</td>
</tr>
<tr>
<td>PF3</td>
<td>-.04013</td>
<td>-.06518</td>
<td>.40953</td>
<td>.67221</td>
</tr>
<tr>
<td>PF4</td>
<td>-.00655</td>
<td>.34466</td>
<td>-.04129</td>
<td>.58309</td>
</tr>
<tr>
<td>PF5</td>
<td>-.01811</td>
<td>.38812</td>
<td>-.08777</td>
<td>.68642</td>
</tr>
<tr>
<td>PF6</td>
<td>-.03105</td>
<td>.34991</td>
<td>-.01836</td>
<td>.63105</td>
</tr>
<tr>
<td>PF7</td>
<td>.05676</td>
<td>.25206</td>
<td>-.03006</td>
<td>.35952</td>
</tr>
<tr>
<td>PF8</td>
<td>.26177</td>
<td>.00796</td>
<td>-.00843</td>
<td>.62319</td>
</tr>
<tr>
<td>PF9</td>
<td>.28659</td>
<td>.08416</td>
<td>-.11421</td>
<td>.67002</td>
</tr>
<tr>
<td>PF10</td>
<td>.28368</td>
<td>.00297</td>
<td>-.08706</td>
<td>.63966</td>
</tr>
<tr>
<td>PF11</td>
<td>.25151</td>
<td>-.07233</td>
<td>.03435</td>
<td>.62071</td>
</tr>
<tr>
<td>PF12</td>
<td>.21920</td>
<td>-.01269</td>
<td>.02922</td>
<td>.47775</td>
</tr>
</tbody>
</table>

| Eigen value | 3.381 | 2.466 | 1.525 |
| Percentage of Variance | 28.175 | 20.550 | 12.705 |
| Cumulative Percent | 28.175 | 48.725 | 61.431 |

The Eigen value for factor 1 is 3.381, the percentage of variance is 28.175, and the cumulative percent is 28.175. This factor is the most important since it contributes to 28.175 percent of total variance. The Eigen value for factor 2 is 2.466, the percentage of variance is 20.550 and the cumulative is 48.725. The Eigen value for factor 3 is 1.525, the percentage of variance is 12.705 and the cumulative is 61.431. The communalities range between 0.35952 and .74727. The first dimension named Perceived Risk towards PLBs comprises of 5 constructs. The second dimension named Perceived Quality towards PLBs comprises of 4 constructs and the third dimension named Purchase Intention towards PLBs comprises of 3 constructs. Table 5.7.1.2 gives the loadings of the three dimensions.
Table 2: Three factor dimensions for Perceptual Factors towards PLBs

<table>
<thead>
<tr>
<th>Constructs</th>
<th>Factor 1 Perceived Risk towards PLB Food and Grocery items</th>
<th>Factor 2 Perceived Quality towards PLB Food and Grocery items</th>
<th>Factor 3 Intention to purchase PLB Food and Grocery items</th>
</tr>
</thead>
<tbody>
<tr>
<td>PF 1</td>
<td>0.80241</td>
<td></td>
<td></td>
</tr>
<tr>
<td>PF 2</td>
<td>0.79923</td>
<td></td>
<td></td>
</tr>
<tr>
<td>PF 3</td>
<td>0.77744</td>
<td></td>
<td></td>
</tr>
<tr>
<td>PF 4</td>
<td>0.76096</td>
<td></td>
<td></td>
</tr>
<tr>
<td>PF 5</td>
<td>0.66863</td>
<td></td>
<td></td>
</tr>
<tr>
<td>PF 6</td>
<td></td>
<td>0.82603</td>
<td></td>
</tr>
<tr>
<td>PF 7</td>
<td></td>
<td>0.77822</td>
<td></td>
</tr>
<tr>
<td>PF 8</td>
<td></td>
<td>0.75587</td>
<td></td>
</tr>
<tr>
<td>PF 9</td>
<td></td>
<td>0.55997</td>
<td></td>
</tr>
<tr>
<td>PF 10</td>
<td></td>
<td></td>
<td>0.84623</td>
</tr>
<tr>
<td>PF 11</td>
<td></td>
<td></td>
<td>0.80969</td>
</tr>
<tr>
<td>PF 12</td>
<td></td>
<td></td>
<td>0.79140</td>
</tr>
<tr>
<td>Mean</td>
<td>21.97 (35)*</td>
<td>19.95(28)*</td>
<td>13.86 (21)*</td>
</tr>
<tr>
<td>Standard Deviation</td>
<td>5.459</td>
<td>3.666</td>
<td>3.235</td>
</tr>
</tbody>
</table>

Note: ( )* indicates maximum score

Factor 1 gives the findings of the dimension named Perceived Risk towards PLBs (PR). The following construct expresses the respondents’ negative attitude that may affect consumers’ intention to purchase PLB Food and Grocery items.

PF 1 – PLB Grocery/Food items cannot be trusted as good as other products.
PF 2 – PLB Grocery/Food items are made of cheap ingredients
PF 3 – PLB Grocery/Food items affects my social image
PF 4 – Purchase of PLB Grocery/Food items is a mistake
PF 5 - PLB Grocery/Food items are inferior to national brand in quality attributes

All the above mentioned statements indicate that the Perceived Risk towards PLBs contribute to factors which are the results of their own expressions and factors which are based on their perception towards risk associated with purchase of PLBs. This is in accordance with the studies by (Bellizzi et al: 1981), which indicate that consumer intention of purchasing private labels is affected by consumer attitude towards Private –Labels when compared to national brands on reliability, prestige and quality attributes.

The consumers’ perception about PLBs with regard to Perceived Risk dimensions are PLB Grocery/Food items cannot be trusted as good as other items, PLBs are made of cheap ingredients, PLBs affects my social image, Purchase of PLBs is a mistake and PLBs are inferior to national brand in quality attributes have created negative attitude towards PLBs. So retailers should try to
concentrate on reduction of risk, building of trust and time savings offered to hurried consumers in order to create purchase intention by way of creating positive attitude.

The loading for this dimension varies between 0.66863 and 0.80241. The variable, “PLB Grocery/Food items cannot be trusted as good as other Products”, contributes most towards the perception related to risk factors when buying PLBs.

The variable, “PLB Grocery/Food items are inferior to national brand in quality attributes”, contributes least indicating that the consumers still have second preference towards PLBs when compared to National brands. The second, third and fourth variables, indicate their opinion about PLBs, where they feel risk in buying PLB items due to cheap ingredients and also they are of the attitude that it could affect their social image which may depend on the category they purchase when compare to fourth variable purchase of PLB is a mistake.

Factor 2 gives the findings of the dimension named Perceived Quality (P.Q). The following construct expresses the consumers’ perception towards PLBs quality.

PF 6 – Good price quality ratio.
PF 7 – Purity in item.
PF 8 – Good in taste.
PF 9 – Appropriate color of product.

The above mentioned variables indicate that the respondents develop a sense of intention to purchase PLBs to their own basic nature and on their own personal experiences with PLBs. This is in accordance with the studies by (Hey & Mckenna 1981), which indicate that consumers first search across product price, after experiencing the product decides whether to purchase the product or not. It thus becomes important to make consumers feel that PLBs have quality closer to national brand and gives value for money.

The loading for this dimension varies between 0.55997 and 0.82603. The variable, “Good price quality ratio”, contributes most towards perceived quality, expressing good price quality ratio leads to purchase Intention. The variable, “Appropriate color of product”, contributes least indicating that the respondents do not always show the same level of interest in assessing the product based on its color and it mostly depends on their buying situation and the product category they buy. The second and third variable “Purity in item” and “Good in taste” are interrelated in determining quality of PLBs which in turn creates strong interest and involvement towards PLBs.

Factor 3 gives the findings of the dimension named Purchase Intention (P.I). The following construct expresses the consumers’ perception towards PLBs quality.

PF 10 – PLB Grocery/Food item is very important to me
PF 11 – PLB Grocery/Food item matters me a lot
PF 12 – In general, I have strong interest in PLB Grocery/Food items.

The above mentioned variables indicate that the respondents develop a sense of intention to purchase PLBs when they have strong positive attitude towards PLBs. This is in accordance with the studies by (Garretson et al 2002), which indicate that PB attitude is the strongest predictor of percentage of PB purchased in relation to other price perceptions, deal perceptions and market related constructs. It thus becomes important to make consumers feel that PLBs are important to them, in order to create an intention to purchase PLBs.

The loading for this dimension varies between 0.79140 and 0.84623. The variable, “PLB Grocery/Food item is very important to me”, contributes most towards Purchase Intention, expressing positive approach towards PLBs which leads to purchase Intention. The variable, “In general I have strong interest in PLB Grocery/Food items.” contributes least indicating that the respondents do not always have same attitude towards product and it differs based on the reason behind their purchase intention. The second variable “PLB Grocery/Food item matters me a lot” determines purchase intention towards PLBs.
DEMOGRAPHIC PROFILE OF RESPONDENTS

Age: The below 20 yrs of age group of respondents represent the study group with 45(5.6%), the 20-39 years of age 434 (54.2%), the age 40-60 years of age 200 (25%) and the respondents above 60 years of age are 121(15.2%).

Income: The below Rs.15,000 Household Income group of respondents represent the study group with 224 (28%), the Rs.15000-30000 Household of Income is 355(44.4%), the Household of Income is Rs.30001-45000 with 123(15.4), the Household of Income Rs. 45001-60000 is 53(6.6%) and the Household of Income Above Rs.60000 is 45(5.6%).

Sex-Wise Distribution of Respondents: Out of 800 samples of respondents considered for this study, the male constitutes 381 (47.6%) and the females are 419 (52.4%).

Occupation: The population of sample respondents under the study consists of 94(11.8%) Business people, 53 (6.6%) are servicing in Government, 310 (38.8%) are employed in Private Sector, 154 (19.2%) are Professionals, 105 (13.1%) are students and the Housewives constitute 84 (10.5%).

CONCLUSION and IMPLICATION

The finding of the study opens opportunities for retailers, who by taking advantage of their marketing strategies and economies of scale. From the above findings it can be inferred that there are several factors that contribute towards Consumers’ perception to purchase PLB Grocery/Food items. Retailers should take into account that consumers will purchase PLBs if they have positive attitude and this is done by improving quality and minimizing risk.

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