

The Effect of Perceived Product Characteristics of Private Label Brand Purchases with Reference to Food and Grocery Items

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Abstract: *Purpose: The purpose of this paper is to investigate the effect of perceived characteristics (familiarity, product type and purchase intention) and consumer price consciousness towards private brand purchase intent. Design/Methodology/ Approach: Consumers who are private brand buyers was surveyed to measure product characteristics perception for seven product categories and to evaluate private brand purchase intent. Factor Analysis was done for hypothesis testing. Findings: Support existed on significant effect of all three product characteristics on their intention to purchase private label brand. Practical Implications: It is critical that retailers identify appropriate product category as they develop private brands. Private brand marketing strategies should be designed to improve level of product familiarity and to increase consumer perception of product characteristics. Value/ Originality: This study aims to test the effect of product characteristics extensively and to provide relative marketing implications.*

Keywords: Private label brand, Perception, Product characteristics, Familiarity and Purchase Intention.

Introduction

The expansion of Private label brands is influenced by the factors like economic growth; changing attitude of consumers towards PLBs and this is because consumers appear to accept PLBs as alternative to national brands. Indeed, PLBs have received more attention and credit as consumers' feel they are equal to manufacturers' brand often without higher retail price. Buying behavior of Indian consumers' are now changing as the younger generation consumers' are savvy towards online buying and wants to enjoy shopping, this changes have influenced more penetration of PLBs in all product categories. Sales of PLBs in Indian market has not peaked yet and it is still growing, making the Indian market a compelling space in which to study, analyze and predict the PLBs growth and success as the economy is market-driven economy with middle class.

Another factor to be taken into consideration is uneven growth of PLBs in product categories. Hoch and Banerjee 1993; have found that performance of PLBs have varied among different product categories and this inter-category difference among categories still exists. Retail consolidation and expansion of discount format are key drivers for PLBs success in developed countries but as consumers' are fiercely brand loyal PLBs are struggling hard to gain consumers' trust in countries like India. There are different product categories that are covered under PLBs and they are food items, staples, milk related items, spices, oil, pulses and personal

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category products. The food category alone accounts for 76 percent of the total sales in private label, and within this, some areas are making bigger waves than others. Packaged grocery, for example, has a particularly dominant position, as it pulls in a whopping 53 percent of total sales.

Private Label Brands

The growth of private label brands has become exponential and the causes are, private label gains market share when the economy is suffering, increase level of quality between private label and brand name products, innovative retailers have started to deliver quality superior to national brands, mass merchandisers account for sale of greater amount of grocery items and private labels have started continuously to expand into new and diverse categories. Gone are the days when there was stigma attached to buying of PLBs. Generally food related items, staples, groceries and pulses are strong players in Private Brand sales. The questions like “How should retailers determine the potential of a new or relatively new product category for Private Label branding?” “Why is one category more suitable than other?” and “what are the most promising candidates for private branding?”. Addressing to these questions will allow retailers to best situate themselves in Indian retail market as they develop and market private label brands.

The reason for inter category difference in private – brand sales could attribute to difference in product characteristics (Hoch 1996). The factors that affect consumers’ intention to purchase PLBs are demographic characteristics (Batlas 2000, Richardson et al 1996.), value consciousness (Burton et al 1998.), risk aversion (Ailawadi et al., 2001). Only few studies have paid attention to potential influence of product characteristics on sales of Private label brands.

This study aims to explore the relationship between product characteristics and private brand purchase. More attention is focused on perceived product characteristics including product familiarity, perceived risk, perceived quality and perceived price consciousness, here it is investigated with regard to how attitude towards PLBs influence purchase intent because attitude describe individuals favorable or unfavorable inclination towards an object which will lead to a tendency to 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.

Review of literature

Researches on PLBs have three major classification and they are

1. The effect of market related factors with effect to purchase intent towards PLBs Perception of consumers’ on PLBs.
2. Consumer characteristics towards PLB purchase intention.

Consumers’ decision to buy PLBs depend on the type of product under consideration, but very little focus has been given on how and which product characteristics influence purchase of PLBs. This study focus on investigating the influence of four product characteristics – product familiarity, perceived risks, perceived quality and perceived price consciousness – on the attitude towards PLBs. The four attributes cannot be viewed as psychographic variables that influence individual consumers but in this study it has been intended that this product characteristics has

been embedded in each product from consumer point of view. The nature of the product is influenced by how it is perceived by individual consumer.

Product Familiarity

Familiarity denotes understanding about product and its features and skill in judging the criteria needed to evaluate the product quality. Familiarity instills confidence in one's ability to choose the best brand and avoid those that may fail to meet specific consumption requirements. Thus, lack of familiarity contributes to the elimination of brands from the consideration set for purchase decisions. Marks and Olson 1961; identified that increased product knowledge leads to better developed knowledge or schema. Alba and Hutchinson, 1987; found that people with different level of expertise vary in how they organize memory. Raju, Sethuraman and Dhar., 1995; states that search benefits play role in consumer 's private label buying behavior and education is a measure of information process skill as consumers are more price sensitive. Prendergast and Marr., 1997; found that branding enable producers to increase consumer awareness of the product, build consumer loyalty and generate added value for product and companies.

H1: The intent to purchase PLBs will increase as familiarity towards PLBs increase.

Perceived Risk

(Bellizzi et al., 1981). Dunn et al. (1986) find that consumers regard Private Label Brands as most risky on performance measures compared to national brands also find that Private Label Brands are least risky on financial measures; however, social risk is less important for supermarket products generally. Perceived risk has a number of facets: a functional risk (the Private Label Brand does not perform), a financial risk (wasting money) and social risk (the Private Label Brand may not be good enough for my friends). However, many studies treat "perceived risk" as a single construct to predict consumer preferences for Private Label Brands rather as a multidimensional phenomenon. 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).

H2: When a product is perceived as greater risk the Private Label Proneness is also high.

Perceived Quality

Private label product quality and attributes is the next of the marketing strategies to review. Retailers are no longer just making copies of the top national brands in their product categories, but are specializing in innovation and the development of highly differentiated products (Harvey, Rothe & Lucas, 1998). Price-quality perceptions and associations affect consumer attitudes toward private label brands (Burton et al., 1998 – in Beldona and Wysong, 2007; Garretson et al., 2002). The impact of benefits related to perceived quality is also highlighted by Gonzalez Mieres et al. (2006) who found that perceived quality differences between store and manufacturer brands are important in influencing consumer attitudes towards these products.

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Similarly, Baltas and Argouslidis (2007) showed that quality has the most significant role when evaluating store brands.

H3: When there is perceived difference between manufacturer brand and PLBs it impacts on favorable and unfavorable attitude in the minds of consumers.

Perceived Price Consciousness

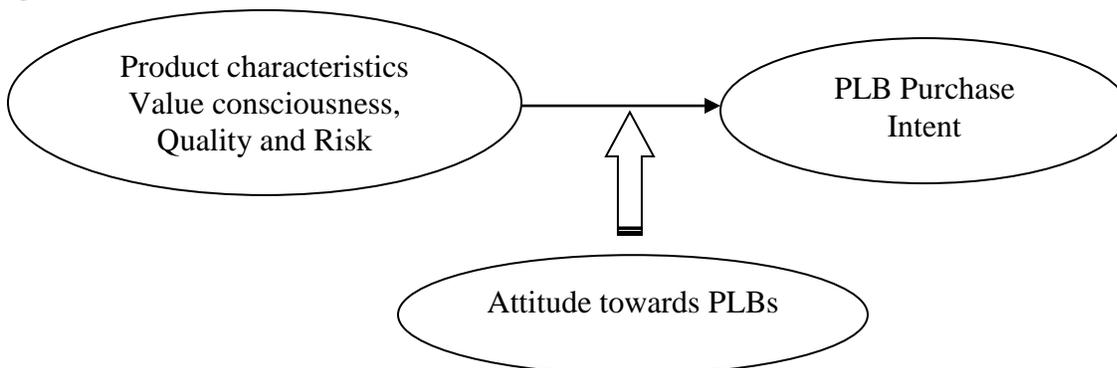
Price represents an extrinsic cue and provides one of the most important forms of information available to consumers when making a purchasing decision. Several factors play a role in pricing strategy for private label product. Private labels have evolved into a value-oriented product that is typically sold at a lower price than the national brand (on average 30% below), but earns the retailer significantly higher real gross margins (RGM) (Garretson, Fisher, & Burton, 2002; Narasimhan, 1988; Steiner, 2004). The reason for which private labels may be sold at a lower price than national brands is the rarity of in-store promotion or couponing. In order for many national brands to attract value conscious consumers, manufacturers offer price reductions or rebates upon purchase (Hoch, 1996). Studies have often used price consciousness as one of the attitudinal characteristics of Private Label Brand buyers. Price consciousness is relevant to both national brands and Private Label Brands. Raju et al. (1995) confirm that Private Label Brand products perform well in product classes where consumers are more sensitive towards price. Burton et al. (1998) and Ailawadi et al. (2001) also show that consumers who tend to pay low prices have a more favorable attitude towards buying Private Label Brands.

H4: When price is the major determinant of purchase decision, PLBs perform well compared to national brands in the product class in which consumers are more price sensitive.

Attitude towards PLBs

Attitude is the tendency to behave in a particular way. Attitude is a crucial link between what customers' view of a product and what they intend to purchase, because attitude partly clarify consumer behavior and it is also modifiable by marketing activity (Perry, 1969, p. 34). In grocery store setting attitude towards PLBs is positively related to actual volume of PLBs purchased during a shopping trip. PB attitude is a strong predictor of PLB price perception, deal perception and other marketing related activities Burton et al. (1998). 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

Figure 1



Method

In reviewing existing literature 6 products were identified with different product characteristics (Completely satisfied to completely dissatisfied). The products selected were staples, cooking oil, milk related foods, vegetables and fruits, spices and food items.

Two major criteria for selecting these products are

1. Essential Products used in daily life where both national and PLBs are available.
2. Frequently purchased products where purchase decision is based on product characteristics given.

The variance criterion is critical issue because in hypothesis testing, the level of satisfaction is affected by attitude towards PLBs which influence purchase intent of PLBs. The pretest was conducted among 50 consumers who are representatives of consumers who buy PLBs. Six products were selected for main study based on the pre-test that was carried out.

Procedure

The main study included 800 consumers' who were representatives of super market consumers. Among total population 47.6% were male and 52.4% were female; over half the sample were in the age group of 20 yrs to 39 yrs (54.2 per cent), 44.4% of population were in the income group of Rs.15,000 to Rs.30,000, (38.8%) were employed in private sector, among the population taken for study 50% have done their graduation, 56.5% are married. Among different retail formats considered for study 42% of consumers prefer to buy PLBs from supermarkets.

Each participant was randomly assigned six products under PLBs and indicates the products which belong to PLBs that they could purchase from the retail format which they prefer. Respondents were asked to indicate their perception about quality, price consciousness, familiarity and risk with regard to PLBs.

Measurement

Factor Analysis is the technique used to reduce a large number of variables into fewer numbers of factors, based on the relationship in the correlation matrix, which is used for further analysis.

To test the reliability of the dimensions, Cronbach's alpha method was used. In general Cronbach's alpha value ranges from 0 to 1 but an alpha coefficient of 0.6 and above is considered to be good for research in social sciences (Malhotra, 2002 and Cronbach 1990). Principal Component Analysis (PCA) was used to determine the minimum no. of factors that will account for maximum variance in the data. The first factor identified in each dimension is the most important factor which contributes maximum to the total variance of that dimension. This procedure is followed by Varimax rotation which helps to interpret factors meaningfully.

Factor Analysis was done for three dimensions, namely Product characteristics towards PLBs, Purchase Intention towards PLBs and Attitude towards PLBs. These three dimensions lent themselves to factor analysis as the Eigen values of the factors that emerged out of the analysis were above one.

In addition these dimensions play a key role in understanding factors that lead to consumer perception about PLB food and grocery items. Such an in depth understanding about the factors lead to understanding consumer's perception will enable the retailers to identify those factors and thereby analyze and implement those marketing strategies that will lead to success of PLBs Food/ Grocery items.

The alpha scores of Intention to purchase PLBs, Attitude towards PLBs and Product characteristics towards PLBs are 0.781, 0.756 and 0.701 respectively, indicating the reliability

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of the questions in these three dimensions. The Eigen values, which represents the relative strength of each factor were above 1.00, and hence were accepted.

Product Characteristics

Product Characteristics 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 Product characteristics, that influence purchase intention towards PLBs 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 Product characteristics towards PLB Food and Grocery Items.

Constructs	Factor1	Factor 2	Factor 3	Communality
PC1	.062	.424	-.183	.653
PC2	-.016	.380	-.052	.674
PC3	-.009	.371	-.058	.631
PC4	.001	.175	.109	.347
PC5	-.073	-.083	.459	.643
PC6	-.101	-.091	.475	.618
PC7	-.071	-.076	.417	.516
PC8	.307	.060	-.127	.645
PC9	.269	.051	-.035	.640
PC10	.233	-.071	.056	.618
PC11	.295	-.018	-.095	.628
PC12	.261	.039	-.090	.486
Eigen value	3.623	2.409	1.068	
Percentage of Variance	30.188	20.073	8.902	
Cumulative Percent	30.188	50.267	59.164	

The Eigen value for factor 1 is 3.623, the percentage of variance is 30.188, and the cumulative percent is 30.188. This factor is the most important since it contributes to 30.188 percent of total variance. The Eigen value for factor 2 is 2.409, the percentage of variance is 20.073 and the cumulative is 50.267. The Eigen value for factor 3 is 1.068, the percentage of variance is 8.902 and the cumulative is 59.164. The communalities range between 0.347 and .674. 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 Price consciousness towards PLBs comprises of 3 constructs. Table 2 gives the loadings of the three dimensions.

Table 2: Three factor dimensions for Product Characteristics that Influence PLBs Purchase Intent.

Constructs	Factor 1 Perceived Risk towards PLB Food and Grocery items	Factor 2 Perceived Quality towards PLB Food and Grocery items	Factor 3 Price Sensitivity towards PLB Food and Grocery items
PC 1	0.797		
PC 2	0.784		
PC 3	0.765		
PC 4	0.733		
PC 5	0.690		
PC 6		0.807	
PC 7		0.801	
PC 8		0.777	
PC 9		0.808	
PC10			0.764
PC11			0.763
PC12			0.687
Mean	21.97 (35)*	19.95(28)*	13.98 (21)*
Standard Deviation	5.459	3.666	3.038

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.

PC 1 – PLB Grocery/Food items when purchased affects my social image.

PC 2 – Purchase of PLB Grocery/Food items is a mistake

PC 3 – PLB Grocery/Food items cannot be trusted as good as other products

PC 4 – Purchase of PLB Grocery/Food items are made of cheap ingredients

PC 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 when purchased affects my social image, Purchase of PLBs is a mistake, PLB Grocery/ Food items cannot be trusted as good as other products, PLBs are made of cheap ingredients 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 offer to hurried consumers in order to create purchase intention by way of creating positive attitude.

The loading for this dimension varies between 0.690 and 0.797. The variable, “PLB Grocery/Food items when purchased affects my social image”, contributes most towards the perception related to risk factors when buying PLBs.

The variable, “ Purchase of PLB Grocery/Food items are inferior to national brands in quality attributes”, contributes least indicating that the consumers still have second preference

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towards PLBs when compared to National brands. The second, third and fourth variables, indicates 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 in taste.

PF 7 – Good price quality ratio

PF 8 – Purity in item.

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 0.467 and 0.807. The variable, “Good in taste”, contributes most towards perceived quality, expressing good taste 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 Price Sensitivity (P.S). The following construct expresses the consumers' perception towards PLBs quality.

PF 10 – Cheap price is important consideration

PF 11 – Money can be saved by shopping around for bargains

PF 12 – Shop offers a lot of special.

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 0.687 and 0.764. The variable, “Cheap price is very important consideration”, contributes most towards Price Sensitivity, expressing price contributes to 40% of decision making towards PLBs purchase Intention. The variable, “Shop offers a lot of specials.” contributes least indicating that the respondents always look for other benefits like discounts or offers towards their final decision to buy PLBs and it differs based on the reason behind their purchase intention. The second variable “Money can be saved by shopping around for bargains” determines sensitivity of price towards purchase intention of PLBs.

Conclusion

From the above findings it can be inferred that there are several factors that contribute towards

Consumers' characteristics to purchase PLB Grocery/Food items. Among different characteristics that influence consumers' to purchase PLBs, the extrinsic cues and intrinsic cues given by marketers have greater impact in creating positive attitude towards PLBs. So retailers, should ensure that customers experience positive feeling on usage of PLBs, as this will further enhance sales of PLBs and bring more variety of product nature under the umbrella of PLBs which will promote their sales and profit margin.

Limitations and Suggestion for further Research

One of the unexpected result of our study is PLBs are good in taste, they have good price quality ratio and cheap price is most important consideration in purchase of PLBs which is contrary to previous studies by (Lichtenstein et al., 1988) states that price consciousness is the degree to which consumer use price in its negative role as decision making criteria. (Burton et al., 1998 – in Beldona and Wysong, 2007; Garretson et al., 2002) have found that price-quality perception and association affects consumer attitude towards PLBs.

Retailers need to ensure that there is variation in price consciousness across product a category which is a significant reason why consumers buy private labels in some categories and not in others. The results thus warrants further investigation into how far variation can be done in different product category which is to be examined based on the nature of the product and customer attitude towards that product category.

In addition a few limitations towards these study are due to regional market characteristics response to the questions regarding store participants patronized were more often on the density of retail store formats distribution. Thus the private brand marketing of different retailers might not have influenced clear response. Further, this study has focused on characteristics of product related to Grocery/ Food items but future study should cover other product category also. Finally, this study has focused on three product characteristics which were considered more important determinants in private brand purchase intention but there are other characteristics like Smart shopper self-perception, store loyalty, brand loyalty etc., which need to be considered in further research.

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