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THE FACTORS AFFECTING THE ATTITUDE OF CONSUMERS' PURCHASING PRIVATE LABELS

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ABSTRACT

Purpose- Private labels in the consumer packaged goods have experienced a worldwide growth in availability and market share in recent years. Retailers offer private labels in many different product categories to attract new consumers and gain sustainable consumption. The growing penetration of private labels in a markets and acceptance by the consumer provides sales and profits for retailers. The changes in consumers' life styles, purchasing behaviours and expectations led changes in consumption patterns. For the consumers, private labels represent the choice and opportunity to purchase many variety of products at savings compared to other brands, without waiting for promotional pricing. The private label products are going a long way toward answering the need for affordable packaged goods for consumers. This research aims to investigate the dimensions that are important to consumers during their purchase of private labels.

Methodology- In this study it is aimed to examine consumer attitudes related to private labels. The variables which have effect on the attitudes that consumers develop towards the private label products were examined. Convenience sampling method is used in face to face survey and data collected from 447 consumers who buy private labels. The hypotheses of this study are developed through mentioned purposes and t-tests, correlation and regression analysis were conducted.

Findings- Price consciousness, value consciousness and consumer innovativeness variables have an influence on consumers' attitude towards private labels. Price consciousness variable has the greatest effect on private label attitude.

Conclusion- Price and value consciousness are the major determinants of consumers' purchase decision of private labels. Price consciousness is the most important factor on the consumers' attitude towards private labels and purchase behavior. Consumers who are more sensitive to price and value, prefer private label products while shopping. According to their experiences these consumers believe that private labels are reliable and can be used instead of expensive alternatives.

Keywords: Private labels, store brands, consumer attitude, purchasing preference, retailing.

JEL Codes: M31, M37, M39

1. INTRODUCTION

Private labels have seen enormous growth in the last couple of decades in many countries and in many product categories. The market shares based on volume are generally higher than value shares, indicating that most private labels are sold at lower prices than their national brand counterparts. Private labels are an important phenomenon in retailing and increasing in importance. Some consumers will consider switching to the private label for a sufficiently large price differential (Gabrielsen and Sorgard, 2007). The roles and importance of private labels, brands that are exclusive to a particular store chain and compete in several product categories with major manufacturer's brands, have changed dramatically over the past decades. Private labels are evolving into full-fledged alternatives, capable of competing successfully with these manufacturer's brands on quality as well as on price and contributing substantially to profitability, store differentiation and store loyalty. Sales volumes and market shares of private labels, as well as their appeal to consumers have steadily increased. Many retailers appear to view themselves increasingly as active marketers of their own store brands, rather than as passive distributors of manufacturers' brands (Semeijin et al., 2004).

Private labels assist building loyalty by differentiating the retailer. These brands are available at one retailer exclusively whilst manufacturer brands are available at many competing outlets. Consumers who purchase private label brands regularly do not only become loyal to that particular brand but also to the retailer through which it is sold. Over the last decade, private labels have become omnipresent and have achieved enormous success, thus providing a base for the improvement in branding activities. Private labels have changed from inferior generics to brands in their own right with value beyond functional attributes (Beneke, 2010).

The growth in private labels has traditionally been attributed to two major causes. First, retailers use private labels to compete profitably in the price-sensitive segment. Second, these products enable retailers to get better deals from manufacturers in the form of lower prices on national brands. It is commonly believed that when the economy picks up, consumers go back to buying national brands. However, most recent trends show that private label sales are growing faster than national brands and have achieved much higher levels of penetration. Penetration of private label varies across countries and product categories. For instance Nielsen reports indicate that in developing markets, although the overall private label share is relatively low compared to the mature European and U.S. markets, there is a significant growth rate. This could be attributed to large multi-national retailers that expanded geographically, building new stores and introducing their private label brands into the marketplace (Boutsouki, Zotos and Masouti, 2008). Private labels are consumer products produced by or on behalf of, distributors and sold under the distributor's own name or trademark through the distributor's own outlet (Burt, 2000).

Private labels have long been recognized as a low-cost alternative to national brands. Furthermore, the objective quality level of private labels has been steadily increasing, greatly narrowing the quality gap between private labels and national brands (DelVecchio, 2001). Private labels can help retailers attract customer traffic and create loyalty to the store by offering exclusive product lines and premium products (Baltas and Argouslidis, 2007, Corstjens and Lal, 2000, Binninger, 2008).

This article investigates the attitudes that consumers develop towards the private label products. In the first part of this article, the significance of private labels and the importance of private labels on consumer perceptions were discussed. In the methodology, demographic characteristics and shopping orientations and attitudes are the variable groups measured in this research. Data collected from 447 consumers who buy private labels examined to figure out the factors affecting the attitude of consumers' purchasing private labels.

2. LITERATURE REVIEW

Consumer are today willing to purchase private label products and are delighted to have private label brand ranges available in stores. Several factors drive consumer willingness to purchase private label products such as demographic factors, economic factors and psychographics. Demographic factors include household income, the number of children in the household, gender, etc. Economic factors are related to the economic cycle while psychographics involve value consciousness, risk awareness, price-quality inferences, self-smart shopper perceptions, etc. (Chandon and Diallo, 2011).

Consumer Perceptions and Private Labels

Consumers with favorable attitudes toward private label brands are extremely price conscious and tend to focus almost exclusively on paying low prices, essentially minimizing or disregarding other factors in brand evaluations (Burton et al.,1998). Especially after the economical recessions, as the buying abilities of the consumers are decreasing, the consumers change their traditional shopping habits. After the economical recessions, the consumers tend to go to shop less than before, or they tend to search the cheaper products.

Private labels have been for a long time affected by negative stereotypes such as low quality goods designed for low income consumers. For this reason, private labels have low market shares in some product category and can be found mainly in low added value product ranges. So, consumer attitude towards private labels was often negative at the beginning of private labels offer. However, this attitude towards private labels is now changing as retailers are launching higher value added product. Improved quality of private labels products has lead consumers to develop stronger preferences for private labels in most product categories (Chandon and Diallo, 2011).

Private labels provide consumers with a competitive alternative to national brands. Private labels offer lower prices owing to their lower manufacturing costs, inexpensive packaging, minimal advertising and lower overhead costs. For retailers, store brands offer an opportunity to increase store traffic and build store loyalty. Although private labels are generally priced lower than national brands, the higher margins earned on these products enable retailers to expand into lower volume categories for which success depends on greater per unit contribution margins. More importantly, the availability of proprietary brands not sold elsewhere may encourage store loyalty and increase store traffic (Dick et al.,1996). Consumers choose the brand with a better image to reduce the perceived risk. This affects the level of price consciousness and on the

purchase intention. Therefore, perceived risk and price consciousness may be the mediator for the private label image and the purchase intention (Wu, Yeh, Hsiao, 2011).

Private label strategy that retailers applied was mostly focused on the cost advantage at the beginning. Although this tendency continues today, it has been to associate with the quality as well. Private labels have been strengthened and it has become the rival for producer brands as the competition in delivery channels oriented towards the retailers and their market portion increased.

Private label creates a variety of images in the mind of consumer. In some parts of the world, the traditional perceptions of private label were once of low quality, unbranded alternatives, attracting the most cost-conscious consumers. Retailers have provided private labels as the low-priced high-volume alternatives for years. In today’s private label market, however, although there may still be private label products of low cost and quality in existence, a different level of products has emerged – the premium “branded” private label product. The emphasis on the quality of store brands combined with the improved packaging and promotional programs was designed to increase customer awareness and sales of own brand products. These products offer consumers a quality private label choice as well as providing to retailers a unique selling point for merchandising in their stores (Boutsouki, Zotos and Masouti, 2008).

3. DATA AND METHODOLOGY

In Turkey, the retailing sector is growing rapidly with the increase in the market share of supermarkets since 1990s. Changes in expectations of consumers, growth and demand of private labels, competition, changes effect the retail sector. There are numerous factors influencing the attitude of consumers towards private label products. In this study it is aimed to examine consumer attitudes related to private labels. The variables which have effect on the attitudes that consumers develop towards the private label products were examined.

In this study, the data is collected using a questionnaire and applied to clarify and sort out the demographics and attitudes of consumers’ purchasing preferences about private labels.

Survey research which is known as the best suited approach for descriptive research is used to collect primary data in Istanbul. Face to face interviews were conducted with consumers who prefer to buy private label products from Carrefour, Migros, Bim, Metro and Diosa in Istanbul. Before the implementation, the questionnaire was pre-tested on 30 consumers in order to test the questionnaire. Data was collected over a period of three months. Total 40 variables were measured by face to face interviews. Questionnaire contains open and close ended questions. Close ended questions are constructed multiple choice and five-point likert scale ranged from “strongly agree” to “strongly disagree”. Shopping orientations were measured with 4 variables. These variables are: Price consciousness, value consciousness, perceived quality and consumer innovativeness.

Convenience sampling method is used in face to face survey to select and collect data from 447 consumers who buy private labels. 500 respondents were interviewed, 53 questionnaires eliminated and 447 questionnaires were included in the research. The data analyzed by SPSS program.

Before testing the hypothesis reliability and validity of the scales were examined using Cronbach’s alpha coefficient and factor analysis. Results are presented in Table 1, indicate that both the realibility and validity of the scales are above the acceptable limits.

Table 1: Validity and Reliability Results

Scales	Number of Variables	Alfa Coefficients	Total Variance
Price conciousness	8	0.77	61.27
Value conciousness	9	0.84	58.72
Perceived quality	5	0.74	67.42
Consumer innovativeness	11	0.71	54.67
Private Label Attitude	7	0.81	72.48

Consumers’ propensity to purchase private labels depends on:

- a. Certain demographic factors (income, family size, age and education),
- b. Certain individual difference variables (the degree of reliance by the consumer on extrinsic cues -those more reliant on such cues preferring national brands-) and the consumers’ tolerance of ambiguity (intolerants preferring safer national buys),

c. Certain consumer perceptions of the particular category (degree of perceived quality variation, level of perceived risk, and perceived value for money), as well as the degree of consumer knowledge increasing private label choice (Batra and Sinha, 2000).

In this study, the impact of various shopping orientation on private label attitude assessed. Although many factor effect private label attitude, in this study we examine price consciousness, value consciousness, perceived quality and consumer innovativeness. Also differences between attitudes according to gender and income level were examined. In this study the hypotheses are:

H1a: There is a significant difference between private label attitudes according to gender.

H1b: There is a significant difference between shopping orientations according to gender.

H2a: There is a significant difference between private label attitudes according to income level.

H2b: There is a significant difference between shopping orientations according to income level.

H3: There is a significant relationship between price consciousness and attitudes towards private labels

H4: There is a significant relationship between value consciousness and attitudes towards private labels

H5: There is a significant relationship between perceived quality and attitudes towards private labels

H6: There is a significant relationship between consumer innovativeness and attitudes towards private labels

4. FINDINGS AND DISCUSSIONS

The sample characteristics were measured in terms of gender, age, and income level. Demographic profile of respondents including their gender, age and personal income levels is presented in table 2.

Table 2: Sample Characteristics

	Frequency	Percentage
GENDER		
Female	294	65.7
Male	153	34.3
AGE		
Below 25	24	5.4
25-34	121	27.1
35-44	137	30.6
45-54	96	21.5
55-64	44	9.8
65 and above	25	5.6
INCOME		
500 million or less	14	3.2
501- 1000 tl	48	10.7
1001-2000tl	115	25.7
2001-3000tl	165	36.9
3001-4000tl	84	18.8
More than 4000tl	21	4.7

The sample included 294 female (65.7%) and 153 male (34.3%) respondents. 24 (5.4%) of the respondents were younger than 25. 121 (27.1%) respondents were between the ages of 25-34, 137 (30.6%) were between the ages of 35-44, 96 (21.5%) were between the ages of 45-54, 44 (9.8%) were between the ages of 55-64. The percentage of the respondents who are above the age of 65 is 5.6 (25). In terms of income level distribution, the majority of the respondents (36.9%) belonged 2001-3000 TL income levels.

Private Label Purchase Attitudes

In order to test if there are any differences of attitudes towards private label attitude and shopping orientations between female and male respondents, independent sample t-tests were conducted. The results can be seen on Table 3. As seen on table 3, it is found that there is a significant difference between male and females concerning value consciousness. According to results, male respondents' value consciousness is higher than female respondents. Men give more importance to value than women. Although men and women respondents have different opinions on value consciousness, no difference

existed between males and females concerning private label attitude, price consciousness, perceived quality and consumer innovativeness. As a result, H1a and H1b rejected.

Table 3: t-test Results

	FEMALE		MALE		t	p
	Mean	Standard	Mean	Standard		
Price Consciousness	19,0205	4,63355	20,2949	4,28058	-2.152	.323
Value Consciousness	7,3203	2,38545	7,7699	2,02307	-1.578	.045
Perceived Quality	7,7729	1,79806	7,6962	1,86532	.320	.803
Consumer Innovativeness	43,7331	4,95803	44,1766	4,79471	-.686	.586
Private Label Attitude	15.4659	3.12279	15.9666	3.38477	-1.180	.198

In this study, to investigate the differences between income levels also Anova tests were conducted. According to the results significant differences concerning price consciousness, perceived quality and private label attitudes were founded. There was no significant difference between income levels according to value consciousness and consumer innovativeness. As a result H2a was accepted and H2b was rejected. Post-hoc analysis revealed that as income level decreases, the consumers generate more positive attitudes towards private labels.

The main purpose of this study is to explore the relationships between price consciousness, value consciousness, perceived quality, consumer innovativeness and private label attitudes. Before conducting regression analysis, pearson correlation coefficients were computed in order to understand if regression analysis can be performed.

According to the result of the correlation analysis there are positive relations between attitude towards private labels (dependent variable) and independent variables [price consciousness (0,206), value consciousness (0,192) and consumer innovativeness. (0,235)]. The analysis revealed that these three factors are related to private label attitudes significantly ($p=0,000 < 0,05$). But there was no relation between perceived quality and private label attitude (0,005). Thus H5 was rejected. As no relationship determined between perceived quality and private label attitude, the perceived quality variable was not included in regression analysis.

Table 4: Regression Analysis Results

	Standardized Coefficients			
	B	Std. Error	F	Sig.
Price consciousness	,407	,057	51,217	,000
Value consciousness	,204	,059	11,777	,000
Consumer innovativeness	,141	,059	5,659	,000

R= 0,84 R²= 0,67 p=0,000 Dependent Variable= Private Label Attitude

The regression value (R= 0,84) shows that there are positive relationships between dependent and independent variables. Price consciousness, value consciousness and consumer innovativeness account for % 67 of the variation in the attitude of private label purchases. Price consciousness, value consciousness and consumer innovativeness variables have an influence on consumers' attitude towards private labels. Price consciousness variable has the greatest effect on private label attitude ($\beta=0,407$). According to correlation and regression analysis H3, H4, H6 were accepted.

5. CONCLUSION

The private labels have important improvements both in developed and developing countries. Turkish consumer and retail market has been growing rapidly within the last decades. The most important factor supporting these improvements is continuously increasing power of retailers in consumer markets. Looking for new ways to differentiate, retailers are creating a new brand on which their names are written. The value retailers give on products and services is increasing day

by day with the created private labels. As the power of retailers increases in the market, the importance of private label also increases.

In today's competitive environment, there is a significant raise in the expectations of the consumers. Retailers feature private label products in order to provide awareness in market and meet consumer needs and expectations. Private label strategy that retailers applied were mostly focused on the cost advantage at the beginning. Although this tendency continues today, it has been to associate with the quality as well.

Demographic characteristics and shopping orientations and attitudes are the variable groups measured in this research. When perceived quality is evaluated, it is seen that perceived quality is not related with private label attitude. There is no relationship between perceived quality and attitudes towards private labels.

The findings in this study also demonstrated that price and value consciousness are the major determinants of consumers' purchase decision of private labels. Price consciousness is the most important factor on the consumers' attitude towards private labels and purchase behavior. Consumers who are more sensitive to price and value, prefer private label products while shopping. According to their experiences these consumers believe that private labels are reliable and can be used instead of expensive alternatives. Price advantage of private labels is the major drive when buying private labels. The main advantage provided by private labels to consumers is the low price. Consumers prefer to use private label products produced. Especially in economic stagnation periods consumers switched their preferences to retailer brands because of economic conditions. Economic conditions and income level have a important effect on private label preference.

Limitations and Further Research

There are several limitations of this study. The major limitation of this study is this research conducted only five supermarket consumers. Second a convenience sampling technique was used to reach consumers and last limitation of this study is data consists of responses obtained from consumers located in Istanbul. Research to be conducted in the future about this study should use diverse retail market consumers.

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