

**AN EMPIRICAL INVESTIGATION ON MARKET FACTORS EFFECT ON
PURCHASE INTENTION TOWARDS PRIVATE LABEL BRANDS IN FOOD
AND GROCERY RETAIL SECTOR IN CHENNAI**

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ABSTRACT

The study empirically investigates the effect of Market factors on purchase intention towards Private Label Brands among consumers in Chennai. Market factors include dimensions related to Brand Sensitivity and perceived Economic Situation which has an effect on Intention to purchase Private Label Brands.

Previous studies have found that consumer characteristics have impact on intention to purchase Private Label Brands. The current study argues, based on theoretical frame work, Market Factors towards Private Label Brands can also be considered as having an impact on purchase intention towards Private Label Brands but this has not been investigated before.

Measurement scale for Market Factors was taken from theoretical review. The reliability and validity of all factors taken for the study have been discussed.

Factor Analysis technique have been used to reduce large number of variables to small number of factors. Factor Analysis play a key role in understanding market factors that lead to consumer intention to purchase Private Label Brands. Such an in depth understanding about the factors lead to understanding consumer's intention which will enable the retailers to identify

those factors and thereby analyze and implement those marketing strategies that will lead to success of PLBs.

Key Words: Purchase Intention, Private Label Brands, Market Factors, Perceived Economic Situation and Brand Sensitivity.

1. INTRODUCTION

Branding is the process by which companies distinguish their product offerings from competitors' offerings. Marketers develop their products into brands which help them to create unique position in the minds of customers. A brand is created by developing distinctive name, packaging and design and arousing customers' expectations about the offering. Branding shapes customers perception about the product. Brand superiority leads to high sales, the ability to change price premiums and the power to resist distribution power.

Competitive intensity forces retailers to formulate strategies that will insulate and increase profit. With more shopping venues available like Brick and Mortar stores, internet, online stores etc, deciding where to shop has become key decision to consumers. Therefore, the retailer's ability to differentiate itself from competitors is crucial to long term profitability. Private Label Brands are defined as "the merchandise owned, controlled and sold exclusively by a retailer, wholesaler and distributor"

Retailing has emerged as one of the most important sectors in Indian economy in terms of contribution to GDP and employment creation. As Indian retail sector has become lucrative in its growth corporate giants like Aditya Brila Group, Reliance, ITC and other major players have entered into retail market years back. Today many foreign players are eyeing Indian market keenly as retail sector is becoming more organized and competition is intensifying.

Private Labels also known as Store brands are mostly sold by retailers. By having private labels retailers can eliminate middle man and thereby reduce cost. Private label is a hot concept today and retailers are introducing Private labels to gain market share. "Tasty Treat" a private label introduced by Pantaloons Food Bazaar has gained a significant share in the market under snacks category.

1.2 RESEARCH PROBLEM:

With increasing number of brands in consideration set, consumers decide purchasing particular brand based on different factors like price, quality, value, brand name, risk, store image etc. Manufacturer's brand and Private label brands are competing on these factors to attract consumers. In the past, when Private label brands were introduced low price brands were associated with low quality (Steiner 2004). However, in recent time's major retailers, have increased their quality of Private label brands with equal to or more than manufacturer's brand (Queleh and Harding 1996). There is strong evidence that increase in quality of Private label brands enable retailers to differentiate their brand from manufacturer's brand and this in turn creates store loyalty (Crostjens and Lal 2000). Thus, it is in the interest of retailers to know the factors that influence intention to purchase PLBs and subsequently influence their decision to purchase this brand. Attitudes can be described as an individual's favourable or unfavourable 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. 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. The relationship between attitude and purchase intention is well established in previous studies conducted by (i.e. Shim et al. 2001). The attitudes of consumers towards own-labels are found to be important in affecting the intention of buying such products.

In the current study, the focus is on Market factor which consists of Brand sensitivity and Perceived Economic Situation. Previous studies have not much focused on this two factors and their effect on purchase intention towards PLBs. The role of economic situation influence consumption trends (Karlsson et al., 1999). The perception about economic situation has effect on how consumer evaluate own label products. As Private label brands are usually cheaper than national brands, consumers are likely to try to save some money by purchasing own labels to offset a tepid economy and soaring prices in other goods (Beldona and Wysong, 2007). Similarly, Chaniotakis et al. (2009) showed that perceived economic situation has an effect on private label products' perceived benefits and consumer attitudes towards store brands.

1.2 RESEARCH PROBLEM:

What are the effects of Market factors on purchase Intention towards Private Label Brands among consumers in Chennai.

1.3 RESEARCH PURPOSE

Although India has experienced low market share for PLBs traditionally, the penetration has been increasing in recent years. The Chennai retailers are withdrawing small brands from their stores and are replacing them with their own Private label brands to improve profit margin. The importance of PLBs can be judged by the fact that large retailers have targeted to achieve four times growth by 2025 and India has been ranked in 39th most preferred retail destination with regard to PLBs share.

Consumers are considered as major driving force for continued existence and further development of Private Label Brands, it could be of great interest to identify the factors that determine intention to buy Private Label Brands. It is expected that the findings from this study will allow the retailers to effectively target the consumers by managing the important factors that affect the attitude toward the private label brands and consequently make promotional decision that can create long-term brand loyalty toward these brands.

The objectives of this research are

- To identify the variables that influence consumers' intention of buying Private Label food and grocery items from previous studies.
- To develop a research model with variables that induces purchase Intention towards Private Label food and grocery items.
- To test this model via quantitative method through consumers sample in Chennai, to predict consumers' purchase intention towards Private Label food and grocery items.

2. THEROETICAL FRAMEWORK

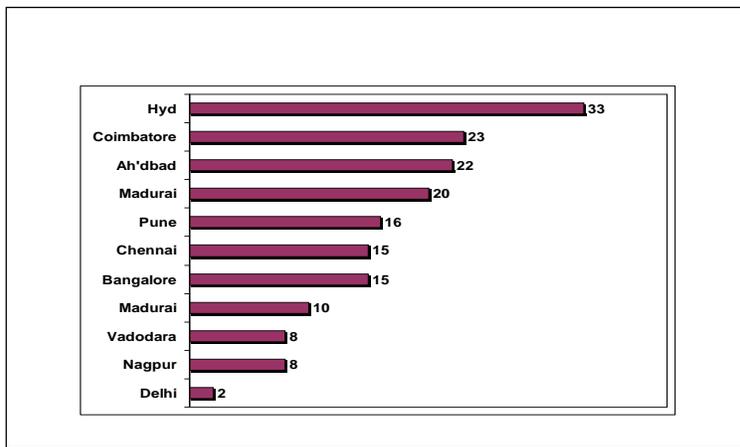
The rapid development of own label products offered by supermarket chains is changing the "rules of the game" in the food business industry. Many researchers have examined the

development of these brands and consumers' behavior for own-labels, mainly in relative mature markets where their use is widely spread (Veloutsou et al., 2004; Prendergast and Marr, 1997b). Following this, several factors have been identified to impact on purchase of own-labels and are presented in the next paragraphs.

2.1 PRIVATE LABEL BRANDING

Private label brands are available in a multitude of formats. There are, essentially, three varieties of private label brands. The first being a representative brand, which is a private label brand that through its name and packaging announces that it is produced and solely owned by the retailer. The second being an exclusive private label brand, which is owned and produced by the retailer, yet this fact, is not explicitly conveyed to the consumer through brand name and packaging. The last type is confined labels these are brands that are not owned by the retailer but are found exclusively in their stores.

Figure 1: Organized retail as a percentage of FMCG sales by city



FOOD AND GROCERY RETAIL MARKET IN INDIA:

Food and grocery segment constitutes about 62 per cent of the total INR 12000 billion (USD 270 billion) Indian retail markets. There are about 12 million retailers in India and 80 per cent of

those are actually mom and pop shops run by family members. The modern organized retailing is about 3 per cent of the total. In South, however, the modern retailing is said to be 10% of the total. As per IMAGES F&R Research estimates organized food and grocery retail market was a mere 0.5 per cent of the total in 2004. This organized segment has now grown to just about 0.8 per cent in 2006 valued at INR 500 billion at 2004-05 prices. The organized food and grocery retail sector grew at the rate of 35.6 percent in 2005 and at 42.5 per cent in 2006 over the previous year.

2.3 MARKET FACTORS

Market factor explores the effort that it takes for consumers to locate and buy products. Among different factors that influence marketing of PLBs, this study mainly focus on two main factors Brand Sensitivity and Perceived Economic Situation.

2.3.1 BRAND SENSITIVITY

Amine states that highly involved consumers with strong brand sensitivity are likely to be brand loyal. This shows the importance of brand sensitivity in the context of brand loyalty. Building on Amine (1998), brand sensitivity can thus be seen as the extent to which a consumer takes the actual brand (image) into consideration in the purchase decision process. This is consistent with Laurent and Kapferer (1992) who define brand sensitivity as the importance of a brand when choosing a product.

2.3.2 PERCEIVED ECONOMIC SITUATION

The impact of consumer attitudes towards own labels is influenced by perceived economic situation. According to a Special Report on Branding and Private Labels (Pollack Associates, 2002 – in Beldona and Wysong, 2007), retailers enrich the range of own-label offerings because of the current economic conditions. As store brands are usually cheaper than national brands, consumers are likely to try to save some money by purchasing own labels to offset a tepid economy and soaring prices in other goods (Beldona and Wysong, 2007). The role of economic situation in influencing consumption trends has also been confirmed by other research studies (Karlsson et al., 1999). Karlsson et al (2004) claimed that the economic situation as perceived by

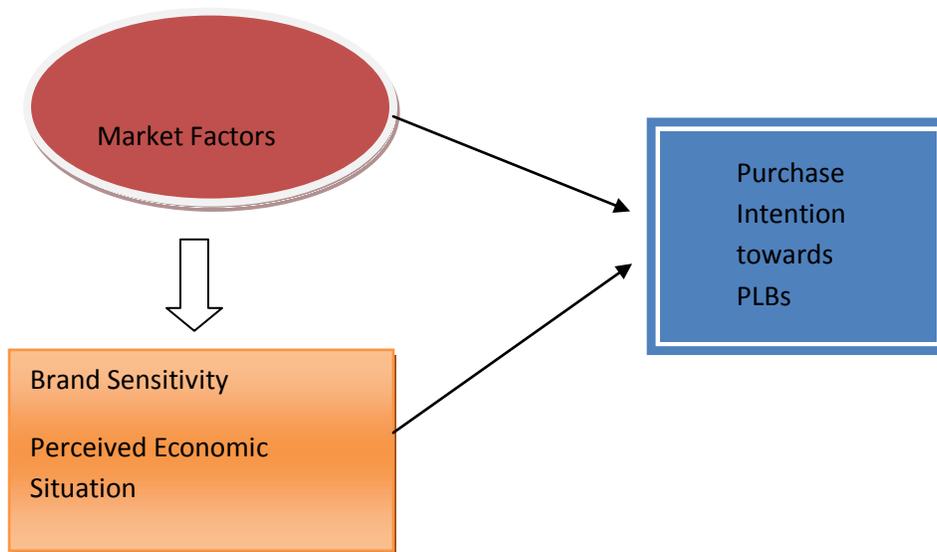
Consumers, influences the way they evaluate products. Similarly, Chaniotakis et al. (2009) showed that perceived economic situation has an effect on own label products' perceived benefits and consumer attitudes towards store brands.

3. PROPOSED MODEL FOR THE CURRENT STUDY:

This study investigates the private label food and grocery products offered by different retail chains. The objective is to assess consumers purchase Intention towards Private Label Food and grocery items. Moreover, is limited to the study of Food and Grocery items and does not investigate the effect of product categories towards purchase Intention of PLBs. This could not be accomplished due to time and financial resources.

The purchase Intention towards PLB Food and Grocery items is positively related to market factors that influence purchase of PLBs. Since, there is relationship among these factors, the current study mainly focus on investigating the relationship between these factors.

Figure 2: Proposed model for the current study



4. RESEARCH METHODOLOGY

4.1. Development of Measurement Scales:

The measurement scale for the statements for measuring Purchase Intention towards PLBs, Brand Sensitivity and Perceived economic situation was taken from Puttervu & Lord's (1994), McGoldrick (2002), Aaker's 1996, Beldona and Wysong (2002).

The measurement scale of Purchase Intention cited from Puttervu & Lord's (1994) work comprised three items "Strong Interest", "Important" and "matters me lot". The measurement scale for Brand Sensitivity cited from McGoldrick (2002) work comprises of five items "Attention to brand name", "Brand tells product quality", "Brand name important", "Brand name gives trust" and "Buying PLBs is good deal". The measurement scale for Perceived economic situation cited from Belodna and Wysong (2002) work comprises of six items "Discounts", "Promotion and coupons", "switching", "Price fall", "Price rise" and "Current need".

4.2. Questionnaire design, Pre-testing, Sampling and Data collection:

A draft of questionnaire was designed based on above scales to examine respondent's intention to purchase PLBs. Then the researcher conducted a pre-test with small sample in Chennai. This is to ensure readability and logical arrangement of the questionnaire and the questionnaire was then modified with the suggestions incorporated. Consumers of Chennai were selected as research population. Data were collected from consumers who shop from different retail formats dealing with PLB Food and grocery items.

A mall-intercept survey method was used to collect data from respondents which results in unbiased sample. For analysis of data, all variables were used seven point scale (1= completely disagree, 7= completely agree).

DATA ANALYSIS:

At the first stage of data analysis, reliability of scales was tested by computing Cronbach's alpha coefficient. All scales of latent variable were found to be reliable. For Purchase

Intention (PI), Cronbach's alpha .781, Price Consciousness (PC), Cronbach's alpha .696, Brand Familiarity (BF), Cronbach's alpha .702, Brand Loyalty (BL), Cronbach's alpha .709, Brand Sensitivity (BS), Cronbach's alpha .725, and Perceived Economic Situation (PES), Cronbach's alpha .725.

Then, Factor Analysis was used to test the research model. The collected data was analyzed using .KMO (Kaiser- Meyer Olkin) and Bartlett's Test was used for analysis of data. Based on KMO significant value, factor analysis was applied on the data. Factor analysis has been used by the researcher to identify significant and small number factors from twenty-five observed variables related to consumer characteristics and market factors related to purchase Intention was used for factor analysis technique. The Principal Component Analysis extraction method along with Rotated matrix method was used for analysis. The extracted communalities range from 0.20348 and .62763. The first dimension named Brand Sensitivity comprises of 5 constructs. The second dimension named Perceived Economic Situation comprises of 6 constructs.

Market Factor is one of the important factors which needs to be analyzed as consumers' buying decision process for the purchase of PLBs are more complex. Consumers usually have different perception for different products, as each product category has certain characteristics, which have significant effect on buying behavior variables. In order to identify the key market factor that play a major role in identifying the factors that lead to consumer attitude to Purchase PLBs, factor analysis was done.

Table: 1 Rotated factor matrix for Market Factors towards

PLB Food and Grocery Items.

Constructs	Factor 1	Factor 2	Communality
MF1	.04359	.19395	.30006
MF2	.01885	.25051	.41142

MF3	-.05765	.29435	.41490
MF4	-.09610	.35979	.58211
MF5	-.11945	.35325	.53375
MF6	.08223	.11850	.20348
MF7	.25462	-.03373	.40269
MF8	.32977	-.07107	.62763
MF9	.30975	-.06570	.55531
MF10	.31617	-.08826	.54877
MF11	.16881	.05740	.29297
Eigen value	3.202	1.671	
Percentage of variance	29.108	15.192	
Cumulative Percent	29.108	44.301	

The Eigen value for factor 1 is 3.202, the percentage of variance is 29.108, and the cumulative percent is 29.108. This factor is the most important since it contributes to 29.108 percent of total variance. The Eigen value for factor 2 is 1.671, the percentage of variance is 15.192 and the cumulative is 44.301. Table .2 gives the loadings of the two dimensions.

Two factor dimensions for Market Factors related to buying decision

Constructs	Factor 1 Brand Sensitivity	Factor 2 Perceived Economic Situation
MF1	.78771	
MF2	.74068	
MF3	.73999	
MF4	.62419	
MF5	.47419	
MF6		.76248
MF7		.72962
MF8		.63967
MF9		.59577
MF10		.48321
MF11		.33731
Mean	25.62(35)	29.09(42)
Standard Deviation	4.011	4.469

Note: ()* indicates maximum score

Factor 1 gives the findings of the dimension named Brand Sensitivity (BS). The following

construct explain those multidimensional phenomenon related to brand sensitivity that contribute towards loyalty in brand regarding brand attributes. Such brand sensitivity contributes significantly towards PLB purchase.

MF 1 – Brand tells a lot about the product's quality

MF 2 – Brand name is very important

MF 3 – Brand name gives trust in brand.

MF 4 – On purchase much attention is given to brand

MF 5 – Buying Private label Brands is a good deal.

All the above mentioned statements indicate that the Brand Sensitivity contribute to factors which results in consequence of making purchase decision, because choosing a brand depends on different factors like brand name, trust in brand etc. Brand Sensitivity makes consumer less price sensitive and more trusting towards these brand. This is in accordance with the studies by (Davis 2002), which indicate that brand sensitivity is a critical factor that influences market factors related to PLB products.

The brand Sensitivity relates to attention towards brand and it enables high level of brand recall. In addition it leads to favorable brand image. It has thus become important for retailers to realize that the brand sensitivity of any product has always been considered to be of great importance in determining perception of brand quality & attitude towards products.

The loading for this dimension varies between 0.47419 and 0.78771. The variable, "Brand tells a lot about the product's quality", contributes most towards the Brand Sensitivity.

The variable, "Buying Private label Brands is a good deal", contributes least indicating that the consumers' are less sensitive towards Private Label brands when compared to national brands. The second, third and fourth variables, indicate their reliability and dependence on brand name and brand attributes in making purchase decision, where they feel that the Brand name is very important, Brand name gives trust in brand and on purchase much attention is given to brand .

Factor 2 gives the findings of the dimension named Perceived Economic Situation (P.E.S). The following construct expresses the consumers' perception towards Economic Situation prevailing currently.

MF 6 – Buy less due to expectation of fall in price

MF 7 – Buy more due to expectation of rise in price

MF 8 – Switch over to other brands on cost competition

MF 9 – Look for more promotion and coupons on national brand

MF10 – Large purchase gives advantage by way of discounts

MF11 – Purchase only to meet current needs.

All the above mentioned statements indicate that the consumers' perception on economic situation has an effect on PLBs perceived benefits and consumer attitude towards PLBs. This is in accordance with the studies by (Chanitokis et al 2009 ;). It thus becomes important to realize for retailers that they can enrich the range of PLB offerings because of current economic conditions. As store brand are usually cheaper than national brands, consumers are likely to save money by purchasing PLBs to offset tepid economy and soaring prices in other goods which is made clear from the above statements.

The loading for this dimension varies between 0.33731 and 0.76248. The variable, "Buy less due to expectation of fall in price", contributes most towards perceived economic situation and leads to expectation of consumers looking for alternative brand with cheap price and good quality. The variable, "Purchase only to meet current needs", contributes least indicating that the consumers' search across both price and quality dimension before making purchase decision. The second variable buy more due to expectation of rise in price is given next importance by consumers' both in grocery and food items as this indirectly lead to third variable related to switch over to other brands on cost competition and this indicates consumers' are much affected due to inflation rate prevailing in the economy and they are in serious search for brand that could meet their expectation and also that could give value for money. The fourth and fifth variable, look for more promotion and coupons on national brand and large purchase gives

advantage by way of discounts reveals the importance of marketing activities to be carried out by the retailers. All the above said variables conclude that consumers' are interested in looking for brands that could be cost competitive and that could provide more benefits.

CONCLUSION

From the above findings it can be inferred that Market factors play a vital role in the decision making process of the individual and when retailers are able to observe keenly how this forces enable consumers' to make purchase decision they will be in a position to reap high profit margin from PLBs.

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