

# A Study on Private Labels and Its Role in Repeat Purchase and Store Loyalty

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## **Abstract**

The retail store is the place where the customers take a decision on the purchase of the products offered by the retailer. The store also influences the perception that customers form in their minds about the store, the products, services and staff. The benefits of private-label brands are quite compelling for both retailers and consumers. For consumers, private-label brands offer relatively high quality products at very attractive price levels. Moreover, private label brands have the potential to help build store loyalty. As a result, private-label brands have become a well-established facet of retailing in numerous parts of the world, often having significant market shares. The purpose of the study is to analyze how the Private labels impact on the Repeat purchase behavior and Store Loyalty.

**Keywords:** Private Labels, repeat purchase, store loyalty

## **1. Introduction:**

The retail store is the place where the customers take a decision on the purchase of the products offered by the retailer. The store also influences the perception that customers form in their minds about the store, the products, services and staff. From the management's point of view, operations of the store and a major element of the cost. As a consequence, the store itself becomes a critical asset of the retail business and it is imperative that the operations are managed well to achieve and sustain customer satisfaction and be cost effective. Managing store operations for a small retail business of any size or complexity from the neighbourhood grocer to the national retail chain is a challenging task. It requires integration among various functions within the store. When all the functions are performed in an integration manner, the store operations run smoothly.

Store loyalty is considered one of the keys in retail business success. Therefore, store loyalty concept has been largely investigated by academia during past few decades. A repeat purchase is often a measure of loyalty to a brand by consumers and is often taken into account by marketing research professionals to evaluate a business. The benefits of private-label brands are quite compelling for both retailers and consumers. For consumers, private-label brands offer relatively high quality products at very attractive price levels. Moreover, private label brands have the potential to help build store loyalty. As a result, private-label brands have become a well-established facet of retailing in numerous parts of the world, often having significant market shares. Having found success with private-label brands, retailers are beginning to act very much like their national brand competitors in terms of how they value and manage these brands. Due to the growth and increased importance of private-label brands, researchers have begun to devote increased attention to this sector of retailing.

## **2. Literature Review:**

Anna Jansone (2012) research explained that Store affect can be generated by such controllable factors like store atmosphere and merchandise value equity, what can be used by retailers to implement store loyalty programs. In order to achieve store loyalty, retailer must focus on loyalty enhancing strategies, for instance, increase merchandise value perceptions and improve overall store atmosphere. As retail

marketers are able to control store physical setting, such as store atmosphere, they can use their resources to improve it and achieve better retail outcome. In order to create pleasant store atmosphere, which attracts customers, stimulate them to visit store repeatedly, spend more time and money in the store, retailer should create memorable shopping experience by investing resources in environment esthetics, to differentiate store from other competitors. Study mainly found that, store affect is main predictor of store loyalty and that it mediates. Retailers should focus on strategies, which cause positive store affect and store loyalty in their customers by improving store atmosphere, creating attractive layout or emotional store advertising etc. In order to examine stores potentially loyal customers and customer who may like particular store, it is important to investigate symbolic store image in customers minds (how customer see the store in terms of personality), as well as customer self image characteristics, what can be done by investigating store image.

Raj Sethuramana, KatrijnGielens (2014) published an article regarding “Determinants of Store Brand Share”. It stated that Private labels or store brands have witnessed considerable growth in the last few decades, especially in grocery products. However, market shares of store brand vary considerably across categories, markets, and countries. A natural question of interest to academics and practitioners is what factors influence store brand market shares. Drawing on a utility framework, they developed 21 consumer, manufacturer, retailer, and product-market characteristics that can influence store brand share. They tested the empirical generalizability of the effect of these determinants through a meta-analysis of data from 54 individual and aggregate market studies. Twenty of the 21 determinants showed significant, empirically generalizable effects.

Bryon Sharp, Anne Sharp (1997), article named “Loyalty Programs and their impacts”, provides the first large scale investigation of the ability of a loyalty programs to alter the normal market patterns of repeat-purchase behaviour. A large loyalty program is evaluated in terms of its ability to generate 'excess loyalty' for brands in the program. Panel data were used to develop Dirichlet estimates of expected repeat-purchase loyalty statistics by brand, thus controlling for self-selection effects. The loyalty estimates were compared with the observed market repeat-purchase behaviour. Overall a trend towards a weak level of excess loyalty was observed, although the expected deviation was not consistently observed for all the loyalty program brands. Only two of the six loyalty program participant brands showed excess loyalty. However, these deviations in repeat-purchase loyalty were observed for non-members of the loyalty program as well as members and appear likely to be at least partially the result of other loyalty efforts particular to these brands.

Justin Beneke (2010) research paper “Consumer perceptions of private label brands within the retail grocery sector” investigated the perceptions of fast moving private label brands in the South African grocery food sector. Successful positioning of these brands has been achieved globally, most notably in developed markets. However, in a South African context this does not appear to be the case. To this end, research has been undertaken in order to better understand the current position these brands occupy in the minds of South African consumers. Included in the study is the consideration of critical branding elements such as trust, availability, pricing, packaging, etc. The knowledge gained through this research should ideally facilitate the process of advancing private label brand research in an academic context and improving brand positioning, increasing market share and optimizing profit extracted from private label brands in a managerial context.

**3. Research Methodology:** methodology is as follows

### 4.3 LINEAR REGRESSION 1

Regression is used to test the effects of independent (Price, Quality, Value, Brand Image ) variables on a single dependent (Repeat Purchase Intention) variable.

H1: Private labels Price will relate positively to repeat purchase intention.

H2: Private labels Perceived Quality will relate positively to repeat purchase intention.

H3: Private labels Perceived Value will relate positively to repeat purchase intention.

#### 4.3.1. Result of Linear Regression

The R value represents the simple correlation and is 0.901, which indicates a high degree of correlation.

The R<sup>2</sup> value indicates how much of the total variation in the dependent variable, (Repeat Purchase Intention), can be explained by the independent variables, (Price, Quality, Value, Brand Image). In this case, 81.2% can be explained, which is very large.

From ANOVA, which reports how well the regression equation fits the data (i.e., predicts the Repeat Purchase Intention). Here,  $p < 0.0005$ , which is less than 0.05, and indicates that, overall, the regression model statistically significantly predicts the outcome variable.

The Coefficients table provides us with the necessary information to predict Repeat Purchase Intention from Price, Quality, Value and Brand Image, as well as determine whether Price, Quality, Value and Brand Image contributes statistically significantly to the model (by looking at the "Sig." column).

Furthermore, the regression equation can be represented as:

***Repeat Purchase Intention*** =  $-0.923 + 0.101(\text{Price}) + 0.022(\text{Value}) + 0.661(\text{Quality}) + 0.782(\text{Brand Image})$ .

### 4.4. Linear Regression 2

Regression is used to test the effects of n independent (Price, Quality, Value, Brand Image ) variables on a single dependent (Store Loyalty) variable.

H5: Private labels Price will relate positively to store loyalty.

H6: Private labels Perceived Quality will relate positively to store loyalty.

H7: Private labels Perceived Value will relate positively to store loyalty.

H8: Private labels Perceived Brand Image will relate positively to store loyalty.

The R value represents the simple correlation and is 0.896, which indicates a high degree of correlation.

The R<sup>2</sup> value indicates how much of the total variation in the dependent variable, (Store Loyalty), can be explained by the independent variables, (Price, Quality, Value, Brand Image). In this case, 80.3% can be explained, which is very large.

From the ANOVA, which reports how well the regression equation fits the data (i.e., predicts the Store Loyalty). Here,  $p < 0.0005$ , which is less than 0.05, and indicates that, overall, the regression model statistically significantly predicts the outcome variable.

The Coefficients table provides us with the necessary information to predict Store Loyalty from Price, Quality, Value and Brand Image, as well as determine whether Price, Quality, Value and Brand Image contributes statistically significantly to the model (by looking at the "Sig." column).

Furthermore, the regression equation can be represented as:

**3.1 Research Objectives:**

1. To analyze Private labels characteristics in studying Repeat purchase behavior of customers in an organized apparel retail store.
2. To analyze Private labels characteristics in studying Store Loyalty of customers in an organized apparel retail store

**3.2 Research Instrument:** A structured questionnaire, validated by the experts in research methodology, retail management and marketing.

**3.3 Sampling Technique:** Judgment sampling

**3.5 Sample Size:** 192 respondents have been selected as sample size for the research.

**4. Data Analysis:**

Following is the analysis of retailer survey

**4.1. Gender of the Respondents**

| <b>Gender</b> |     |
|---------------|-----|
| Male          | 81  |
| Female        | 111 |

**4.2. RELIABILITY ANALYSIS**

Reliability refers to the extent to which a scale produces consistent results, if the measurements are repeated a number of times. If the association in reliability analysis is high, the scale yields consistent results and is therefore reliable.

Cronbach (1951) introduced a measure that is common in reliability analysis. This measure is loosely equivalent to the splitting of the data in two halves in every possible manner and further computing the correlation coefficient for each split. The average of these values is similar to the value of Cronbach's alpha.

| <b>Variable</b>           | <b>No. of Questions</b> | <b>Cronbach's Alpha</b> |
|---------------------------|-------------------------|-------------------------|
| Price                     | 4                       | 0.618                   |
| Perceived Value           | 2                       | 0.903                   |
| Quality                   | 2                       | 0.585                   |
| Private label Brand Image | 5                       | 0.373                   |
| Repeat purchase Intention | 2                       | 0.510                   |
| Store Loyalty             | 3                       | 0.704                   |

**Store Loyalty**=  $-1.396 + 0.153(\text{Price}) - 0.131(\text{Value}) + 0.80(\text{Quality}) + 0.835(\text{Brand Image})$ .

A significant regression equation was found ( $F(4,187) = 190.668, p < 0.000$ ), with an  $R^2$  of 0.803.

#### 4.5. Findings and Suggestions

1. Private labels Price will relate positively to repeat purchase intention.
2. Private labels Perceived Quality will relate positively to repeat purchase intention.
3. Private labels Perceived Value will relate positively to repeat purchase intention.
4. Private labels Perceived Brand Image will relate positively to repeat purchase intention.
5. Private labels Price will relate positively to store loyalty.
6. Private labels Perceived Quality will relate positively to store loyalty.
7. Private labels Perceived Value will relate positively to store loyalty.
8. Private labels Perceived Brand Image will relate positively to store loyalty.

#### Suggestions:

It is proved that, private labels price, quality, value and brand image have a positive effect on repeat purchase and store loyalty, Pantaloons has to consider private label brands as of the top priority and should work towards excellence.

Maximum customers of Pantaloons is of 18 to 44 years age group. This is such a wide range of age group where in teens and youth would expect many more designs of trend and other group would expect classic and minimalistic design giving more importance on comfort. Since, Pantaloons has already attracted such a wide range of customers, merchandise that attracts both the categories should be taken care of and should be segregated and displayed in store.

According to study, age group, gender and income will have a significant difference on the repeat purchase intention and store loyalty. As, this research is confined to one store (Inorbit mall), further research including all the pantaloons stores residing in a particular geographical location get a clear picture has to be done to get a better picture of till what level demographics will have an effect on the store loyalty.

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