Determinants of Perception towards Private Label Brands in Zimbabwe: The Role of Familiarity, Store Image, Demographic Factors and Consumer Characteristics

By

Sarah Nyengerai
Divaries Jaravaza
Paul Mukuchu
Ranganai Chirimubwe
Evans Manjoro
Research Article

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Sarah Nyengerai¹*, Divaries Jaravaza¹, Paul Mukucha¹, Ranganai Chirimubwe¹ and Evans Manjoro²

¹Department of Marketing, Bindura University of Science Education, P/Bag 1020, Bindura, Zimbabwe.
²Department of Statistics, University of Zimbabwe, P.O Box MP 167 Mount Pleasant Harare Zimbabwe.

*Corresponding Author’s Email: snyengerai@gmail.com; Tel: +263 271 6345

ABSTRACT

A survey was conducted in Harare, Bulawayo and Bindura to quantify the effect of selected variables on private label brand perception. The following variables were tested; familiarity, store image perception, selected demographic factors (age and income) and consumer characteristics (intolerance of ambiguity, price consciousness, the level at which an individual believes brand names reflect product quality and social status). Data was analysed using stepwise multiple linear regression. The factors that were found to have a significant and positive effect on private label brand perception were familiarity (p<0.01) and store image perception (p<0.05). The authors concluded that there is scope to increase growth of the private label brand market share in the grocery sector of Zimbabwe. The authors recommended that retailers should embark on marketing strategies that focus on increasing the familiarity of private label brands such as in-store tastes. Recommendations were also made for retailers to focus on the improvement of store appearance and environment as this affects private label brand perception.

Keywords: Private label, brand familiarity, store image, consumer characteristics.

INTRODUCTION

In developed countries, it is evident that the presence of private label brands particularly in the grocery sector has challenged national brands (DelVecchio, 2001; Chimhundu, 2011). Kulpa (1998) reported that private label brands account for 66% of all milk sales in the USA. Dennis (1998) reported that in 1997, the private label brand volume share of grocery sales reached 43% in the UK, 33% in Belgium and 27% in Germany. For these countries, the successful position of private label brand sales has been in part, obtained through efforts by retail managers to overcome the skepticism surrounding the quality of private label brands. This is present among most consumers especially when private label brands first enter the market (DelVecchio, 2001; Walker, 2006; Beneke, 2009).

The growth of private label brands has been driven by product innovation and quality improvements (Beneke, 2009), packaging improvements, advertising and/or promotion effectiveness and retail support (DelVecchio, 2001). An example of this is given by the introduction of the premium private label brand “President’s Choice” by a retailer in Canada (Beneke 2009). The benefits retailers have realised from private label brands include increased profitability through cost saving and increased margins, increased store loyalty and creation of a distinct corporate identity (Fernie et al., 2003). Research results show that the gross margin realised from private label brands can be 25–50% higher compared to manufacturer brands (Keller, 1993; Semeijn et al., 2004).

In Southern Africa, the private label brand market is relatively young and/less developed compared to the market in Western countries (Euro Monitor International, 2010). South Africa’s private label brand penetration rate is the highest and is estimated at 8% (Beneke, 2009). Research illustrates that at the early stage of market development, skepticism surrounding the quality of private label brands is often high (Nandan and Dickinson, 1994; Beneke, 2009); it is imperative that in relatively rudimentary markets for private label brands, retail managers should embark on strategies that will increase their market share. In this regard, understanding the factors that influence attitude towards/perception of private label brands in the local context and strategizing to improve this is important. There is scarcity of literature on the determinants of private label brand perception in Zimbabwe and generally in the
Southern Africa region (Beneke, 2009). This study sought to fill this gap and used multiple linear regression to assess the drivers of private label brand perception in Zimbabwe.

**Conceptual framework and hypotheses**

In this section a conceptual framework of factors that have been empirically illustrated to influence private label brand perception and the research hypotheses are provided.

**Familiarity**

Familiarity is a factor that has been shown by some authors to play a significant and positive role in the acceptance of private label brands. This is through its impact on selected determinants of private label brand perception such as perceived risk, perceived value and perceived quality (Richardson et al., 1996). Baker et al (1986) states that brand familiarity can enhance perceptual identification of a brand; increase the probability of inclusion in an evoked set; generate a positive affection towards the brand and increase probability of purchase. In this study it is therefore hypothesized that:

H1: Greater familiarity with private label brands results in a higher perception of private label brands

**Store image**

It has been widely illustrated that store image is positively correlated to private label brand perception. This is because private label brands are seen as an extension of the store image dimensions which include store service, store layout and store reputation (DelVecchio, 2001). In Canada, a regression analysis by Collins-Dodd and Lindley (2003) demonstrated a positive relationship between consumers' perceptions of private label brands and store image in the grocery sector, their study also illustrated that a positive store image and private label brand perception can increase customer loyalty. In USA, Vahie and Paswan (2006) studied the apparel industry and found that store convenience, store atmosphere and store quality positively influenced private label brand image, they also found that the higher the quality of nationally branded merchandise sold in a store resulted in a better perception of private label brands. In Europe, Semeijn et al., (2004) compared the influence of store image on attitude towards private label brands for three stores in the Netherlands. The three stores had different image ratings regarding level of prestige. They found that for all stores, perceived store image had a significant and positive relationship with private label brand image albeit to different degrees. They also found that the correlation between store image and perceived risk of purchasing private label brands was negative. In this study the authors hypothesize that:

H2: A higher store image results in a higher private label brand perception

**Income level**

Income level may influence perception of private label brands. Richardson et al., (1996) found that when income is low, private label brand perception tends to be significantly higher. This is because private label brands have traditionally been sold as the lower price option and thus for low income households, financial pressure is likely to result in more frequent purchase of private label brands and better perception of them. Dar and Hoch (1997) also showed that private label brand market share increases in areas where the population is less wealthy. However some studies on the relationship between income and private label brand perception have failed to prove any significant effect of income (Bergès – Sennou et al., 2007). The hypothesis put forward in this study is as follows:

H3: The higher the income the lower the perception of private label brands

**Age**

Concerning age of the shopper, it has been found that older people are more likely to purchase private label brands. Richardson et al (1996) have reported that that older shoppers are more prone to the purchase of private label brands and this is because of their greater shopping expertise compared to younger shoppers. According to the authors the higher level of shopping experience means they are likely to have developed more sophisticated choice processes in making a decision between different brands. This leads them to rely less on brand names as quality cues and increases the probability that they select private label brands as viable alternatives to national brands. This leads to the hypothesis that:
H4: Older consumers have a better perception of private label brands

**Price consciousness**

Price conscious individuals are expected to have a higher propensity towards private label brands compared to non-price conscious consumers and this relationship has been proven to be significant (p < 0.10) (Batra and Sinha, 2000; Rzem and Debabi, 2012). Price conscious individuals tend to have a higher propensity to purchase private label brand because of their lower price position (Bergès – Sennou et al., 2007), therefore in this study it was hypothesized that:

H5: The higher the level of price consciousness the better the perception of private label brands

**Intolerance of ambiguity**

Individuals who are intolerant of ambiguity have been proven to have a low perception of private label brands Richardson et al (1996). Etgar and Malhotra (1981) stated that the low private label brand perception among consumers intolerant of ambiguity is because they are more likely to seek familiar, more easily identifiable and less ambiguous cues when making choices among competing brands in the marketplace. In this case the following hypothesis was put forward:

H6: The higher the consumers’ intolerance of ambiguity, the lower the perception of private label brands.

**Use of brand names as product quality cues and status symbols**

For the factors use of brand name as product quality cue and social status symbols DelVecchio (2001) reports that consumer’s vary in their belief that brand name reflects product quality and that brand names are a symbol of social status and this influences private label brand perception. In a study, DelVecchio (2001) hypothesized that there was a negative relationship between the belief that brand names reflect product quality and private label brand perception. The results of their study showed that the relationship though negative was non – significant. The authors also hypothesized that because private label brands are sold as a lower quality alternative to national brands, consumers who view brand names as symbolic to social status had a negative perception of them. However, the results of their study illustrated that the relationship between these two variables was significantly positive. They attributed these results to the improved quality status that private label brands in the chosen product categories had gained because of the marketing strategies by retail managers. For these factors the hypothesis put forward in the study was:

H7: The more a consumer believes that brands names reflect product quality, the lower the perception of private label brands

H8: The more a consumer believes that brands names reflect social status, the lower the perception of private label brands

**METHODOLOGY**

A survey questionnaire was designed to collect data that would quantify the structural relationship between selected factors and perception of private label brands. The analysis is represented by the following equation:

\[ Y = y + \beta_1 F + \beta_2 S + \beta_3 \text{AGE} + \beta_4 \text{PC} + \beta_5 \text{INTA} + \beta_6 Q + \beta_7 \text{SS} + \epsilon, \]

\( Y \) is the consumer perception of private label brands, \( F \) is familiarity, \( S \) is store image perception, \( \text{AGE} \) is age of consumer, \( I \) is income, \( \text{PC} \) is price consciousness, \( \text{INTA} \) is intolerance of ambiguity, \( Q \) is the level at which the consumer believes that brands reflect product quality, \( \text{SS} \) is the level at which the consumer believes brands reflect social status, \( \beta \) is the regression coefficient, \( y \) the intercept and \( \epsilon \) the error term.

The 1st part of the questionnaire collected demographic information and information on consumer characteristics. The second part of the questionnaire collected information on store image and perceptions of private label brands. The selected product used to quantify the dynamics of private label brand perception was rice. The product was selected because it is widely available as a private label brand in the emerging markets that
characterize Zimbabwe, in addition, it is a basic commodity and thus frequently purchased by most households. To control for variability that could be caused by different retail chains, respondents were specifically asked to give their perception of rice from TM supermarket which is known as “TM Super Saver Rice.” TM is a local retail chain and private label brands for TM supermarkets are manufactured/packaged locally. The questionnaire was pre-tested prior to implementation of the main survey. The data for the main survey was collected by intercepting customers as they exited from TM supermarkets in Harare, Bulawayo and Bindura, data reported is from 43 questionnaires that were completed.

Measures of the consumer characteristics, store image and private label brand perceptual variables being tested were taken via seven-point, multi-item scales with items anchored by completely disagree and completely agree. For the variables measured, the scale items in Table 1 were used, (R) indicates that the item was reverse coded. Reliability of scale items was tested and Cronbach’s Alpha was proved to be greater than 0.7 for all factors.

Items for private label brand perception were based on a scale used by (Van Riel et al., 2001 and Semeijn et al., 2004). Items for familiarity with private label brands were based on a scale used by (Richardson et al., 1996). The items for store image were adopted from a scale used by (Semeijn et al 2004 and Rzem and Debabi, 2012). The items for price consciousness were adopted from scale used by Sinha and Batra (1999) and Rzem and Debabi (2012). Items for intolerance of ambiguity were adopted from a scale used by (Richardson et al., 1996). Scale items for use of brand names as a quality cues and use of brand names as a status symbol were adopted from (DelVecchio, 2001).

Analysis

Data was analysed using stepwise multiple linear regression. To determine the significance of our regression model we used analysis of variance and to determine how good our model was we used the coefficient of determination ($r^2$). To validate the normality assumption on residuals we used the histogram. Collinearity was determined using the variance inflation factor which was found to be less than 10. Correlations among independent variables are also given in table 2.

Table 1 Scale items for the variables tested

<table>
<thead>
<tr>
<th>Factor</th>
<th>Items measured</th>
</tr>
</thead>
<tbody>
<tr>
<td>Private Label Brand (PLB) Perception</td>
<td>• The overall quality of private label brands is low (R).</td>
</tr>
<tr>
<td></td>
<td>• I am highly likely to purchase a private label brand</td>
</tr>
<tr>
<td>Familiarity with PLB</td>
<td>• During shopping I often take time to look for PLB products</td>
</tr>
<tr>
<td></td>
<td>• I am very familiar with the various PLB grocery items available in a market</td>
</tr>
<tr>
<td>Store Image-general attributes</td>
<td>• I don't often purchase PLB items (R)</td>
</tr>
<tr>
<td></td>
<td>• The store has a good selection of merchandise.</td>
</tr>
<tr>
<td></td>
<td>• The store has a good reputation.</td>
</tr>
<tr>
<td></td>
<td>• The store is doing well.</td>
</tr>
<tr>
<td></td>
<td>• Overall I have a good impression of the store.</td>
</tr>
<tr>
<td>Price Consciousness</td>
<td>• I tend to buy the lowest price brand that fits my needs</td>
</tr>
<tr>
<td></td>
<td>• When it comes to shopping I rely heavily on price.</td>
</tr>
<tr>
<td></td>
<td>• I am not willing to put in the extra effort to find low prices (R).</td>
</tr>
<tr>
<td>Intolerance of Ambiguity</td>
<td>• An expert who doesn’t come up with a definite answer probably doesn’t know much</td>
</tr>
<tr>
<td></td>
<td>• The thought of relocation to a foreign country is a pleasant idea (R)</td>
</tr>
<tr>
<td>Use of brands as a quality cue</td>
<td>• I don’t like the unknown</td>
</tr>
<tr>
<td></td>
<td>• Brand names inform me about the functional capabilities of a product</td>
</tr>
<tr>
<td></td>
<td>• Brand names help me decide how well a product is likely to Perform</td>
</tr>
<tr>
<td>Use of brands as a symbol of social status</td>
<td>• I believe that the brands people buy say something about the person</td>
</tr>
<tr>
<td></td>
<td>• You can tell a lot about a person from the brands that they Buy</td>
</tr>
</tbody>
</table>
RESULTS AND DISCUSSION

The mean age of the respondents was 28.5 years, range was 19-57 years. Concerning the gender of respondents, 66% were female and 34% were male. The mean monthly income was $599, with a range from less than $200 to $3000. After the use of stepwise multiple linear regression it was seen that only the coefficient of familiarity and store image was significant (table 3) implying that the other six variables have no influence on private label brand perception. The fitted model is given in the following equation: \[ \text{Perception} = 0.533 + 0.433 \text{familiarity} + 0.298 \text{store image} \]

<table>
<thead>
<tr>
<th>Model</th>
<th>Store Image</th>
<th>Income</th>
<th>BRSS</th>
<th>PC</th>
<th>FAMIL</th>
<th>AMBIG</th>
<th>BRQ</th>
<th>AGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Store Image</td>
<td>1</td>
<td>0.079</td>
<td>0.118</td>
<td>-0.186</td>
<td>-0.314</td>
<td>-0.361</td>
<td>-0.148</td>
<td>0.010</td>
</tr>
<tr>
<td>Income</td>
<td>1</td>
<td>-0.179</td>
<td>0.117</td>
<td>-0.362</td>
<td>0.089</td>
<td>0.091</td>
<td>-0.301</td>
<td></td>
</tr>
<tr>
<td>BRSS</td>
<td>1</td>
<td>0.298</td>
<td>-0.347</td>
<td>-0.401</td>
<td>-0.382</td>
<td>0.281</td>
<td></td>
<td></td>
</tr>
<tr>
<td>PC</td>
<td>1</td>
<td>-0.108</td>
<td>-0.153</td>
<td>0.185</td>
<td>0.078</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FAMIL</td>
<td>1</td>
<td>0.269</td>
<td>0.004</td>
<td>-0.284</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>AMBIG</td>
<td>1</td>
<td>0.001</td>
<td>-0.327</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>BRQ</td>
<td>1</td>
<td>0.201</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>AGE</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

This model is statistically significant because the p values from the Analysis of Variance were <0.01. The coefficient of determination is 0.40 implying that our model explains 40% of the variation of private label brand perception. The histogram of residuals was bell shaped illustrating that the normality assumption was valid.

<table>
<thead>
<tr>
<th>Model</th>
<th>( \beta ) Coefficient</th>
<th>T</th>
<th>Sig</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constant</td>
<td>0.551</td>
<td>0.585</td>
<td></td>
</tr>
<tr>
<td>Store image</td>
<td>0.298</td>
<td>2.090</td>
<td>0.044</td>
</tr>
<tr>
<td>Familiarity</td>
<td>0.433</td>
<td>3.039</td>
<td>0.004</td>
</tr>
</tbody>
</table>

The findings regarding familiarity in this study resonate with those of some authors (Richardson et al., 1996; Flavin et al., 2006). Richardson et al. (1996) reports that familiarity significantly reduces reliance on extrinsic cues in quality assessments, reduces perceived risk of purchasing private label brands and reduces the perceived quality variance between national brands and private label brands. This indicates that it is imperative for retailers to invest in private label brand promotion strategies that stimulate familiarity. It is reported that the marketing budgets of private label brands are often low (Beneke, 2009). The low budget may have negative effects on the growth of private label brands (DelVecchio, 2001). Retailers should invest more in the marketing of private label brands and embark on strategies such as in store tastes, distribution of free samples and the issuance of private label brand coupons to buyers of national brands at the checkout counter to promote familiarity of private label brands.

Store image was found to have a significant and positive effect on private label brand perception (p<0.05). This illustrates that it is important for retailers to invest in improving all the dimensions of store image to increase private label brand perception. Collins-Dodd and Lindley (2003) also found that store image had a significant and positive effect on private label brand perception. The authors reported that store brands are seen as extensions of the store image and thus a good store image can contribute to positive private label brand perception. The present study confirmed that developing and sustaining a store image can create opportunities to promote private label brands. Retailers should therefore focus on aspects, such as store environment, merchandise quality and value, and customer service. Similar recommendations have been made for the improvement of private label brand perception in developed countries, (Semeijn et al., 2004).

CONCLUSION AND RECOMMENDATION

For rice, the hypothesis that age, income, intolerance of ambiguity, price consciousness, belief in brand names as quality cues or symbols of social status affect private label brand perception was rejected. The hypothesis that
familiarity, and store image affect private label brand perception was accepted. The authors have concluded that there is scope to improve private label brand perception among consumers in Zimbabwe through the use of marketing strategies that increase familiarity. The strategies used for the increment of familiarity should be targeted towards all age groups. The retailers should where possible use store image as a marketing strategy for the promotion of private label brands. This can be through creating a clean, welcoming and friendly environment. Other aspects of store image such as customer care should be improved as this is likely to have a bearing on private label brand perception.

Limitations and suggestions for further research

Resource limitations resulted in this analysis being based on a sample of 43 respondents, deeper insight could be obtained by using a larger group of respondents. In addition the analysis was based on assessing the effect of store image for one retailer, TM Super Markets and on a single product category. It would be valuable to further test the model with data from more retailers and with a wider range of product categories.

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