

Customer Affinity Towards Private Label Products

A Study on Home care and Personal brands in Retail Stores

Deepa Unnithan

Assistant Professor

Bhavan's Royal Institute of Management, Tripunitura
Cochin, India

deepaunnithan@gmail.com

Harsha C Pathak

II Year Student

Bhavan's Royal Institute of Management, Tripunitura
Cochin, India

Abstract— It has been an accepted fact of life in the retail world that private labels have their place on store shelves, right next to the branded products with which they compete. Even more significant, consumers are beginning to not only accept but to trust store brands. Despite several marketing gimmicks by the established national brands, there is a steady affinity of customers towards certain categories of private labels. The economic crisis continues to take its toll, so consumers have turned to value priced products and private label have, in many cases, offered acceptable quality alternatives to national brands. Retailers are exploiting their growing market power by increasing their private label activity and the shelf-space they devote to their own store brands.

Data from the three leading retail outlets of More, Big Bazaar and Reliance in Cochin and Chennai were used for understanding the customer affinity towards store brands in home and personal care category. The study helped in understanding the people's response towards the private brands and their mentality towards them. The findings could be helpful to the retailers to the extent of understanding the various determinants of consumer affinity towards store brands and exploit them in productive ways (Abstract)

Keywords-customer affinity; store brands; private labels; retail brands; national brands (key words)

I. INTRODUCTION (HEADING 1)

Today we can see a new era in market with the opening up of many departmental stores, hyper market, shoppers stop, malls, branded retail outlets and specialty stores. For years, it has been an accepted fact of life in the retail world that private labels have their place on store shelves, right next to the branded products with which they compete. Even more significant, consumers are beginning to not only accept but to trust store brands. Though there are

many national brands in the various categories, private labelled products is considered to be the pet category of the retailers. Despite several marketing gimmicks by the established national brands in there is a steady affinity of customers towards certain categories of private labels. The business sense of problem is that, understanding this reasons behind this customer affinity would further enhance this category.

As product markets have matured and retailers' growth strategies have increased their leverage, an increasing proportion of sales are accounted for by private labels in several categories. Some estimates put global sales of private label at more than \$400bn. The economic crisis continues to take its toll, so consumers have turned to value priced products and private label have, in many cases, offered acceptable quality alternatives to national brands. What is more, retailers are exploiting their growing market power by increasing their private label activity and the shelf-space they devote to their own store brands. Indeed, their own brands offer equal or, sometimes, superior value to national or global brands. The economic advantages of own brands are that they do not have to spend as much on product development or advertising, and the huge buying power of the retailer means they can secure very low prices from suppliers. This enables them to go to market at a price is that is often significantly lower – typically by 10-20%: a very important difference in hard economic times. Considering all these aspects, it is worthwhile to study about the affinity of consumers towards private labels in retail stores.

II. OBJECTIVES OF THE STUDY

The main objective of the study was to analyse the affinity of customers towards various private label brands in home and personal care category. The secondary objective was to assess the influence of purchase behaviours like pattern of visiting the aisle, time taken to make a purchase and comparison with a

national brand is influencing the customer affinity towards private labels.

III. RESEARCH METHODOLOGY

The data was collected from various walk-in customers of different daily retail stores in Cochin and Chennai. The customer actions of a sample size of 60 selected through judgemental sampling was recorded using an Observationnaire from decompression zone to exit area with special reference to Home and Personal care category. The data thus collected was coded and subjected to analysis using SPSS for understanding normality, frequencies as well as cross associations

IV. LITERATURE REVIEW

According to Nilopher Merchant (2013), affinity is that tight bond a customer has with a company and its brand. When a customer has affinity for a company, they're in a long-term relationship with that company. In the present day's retail business, ensuring customer satisfaction in delivering the right product and service to the end-users is the major concern for the future growth of the organization. (Das Prasun, 2009). Iacobucci et al. (1994, 1995) provide precise definitions of service quality versus customer satisfaction. They contend that service quality should not be confused with customer satisfaction, but that satisfaction is a positive outcome of providing good service. Ittner and Larcker (1998) provide empirical evidence at the customer, business-unit and firm-level that various measures of financial performance (including revenue, revenue change, and margins, return on sales, market value of equity and current earnings) are positively associated with customer satisfaction. Babakus et al. (2004) link customer satisfaction to product and service quality within retail stores and find that product quality has a six significant impact on store-level profits.

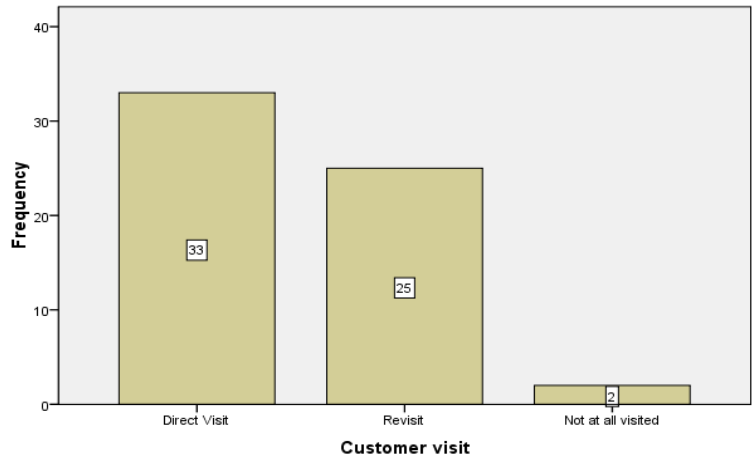
Jin and Yong (2005) note that the success of private label brands is dependent on factors such as the country's retail structure, the level of retailer concentration, the advertising rate of manufacturer brands, economies of scale, management, and even imagination.

V. DATA ANALYSIS AND FINDINGS

The customer affinity was analysed based on the pattern of aisle visit, time taken to make a purchase, and chances of comparison with a national brand.

A. Aisle Visit by Customer

Customer visit



Majority of the customers are already aware of the products and the location of the aisle which made them go and pick up the product easily without a second thought. It is a clear indicator of existence of a strong customer affinity towards this category. Another group of people, whose count is also high, revisited the aisle after purchasing the products from the other aisles. It may be after comparing the product with other brands or for their own reasons. There is only a minority of people who did not visit the aisle at all. This analysis supports an assumption that customers with higher affinity choose to visit the aisle either directly or sometimes before their exit.

2. Time taken to make a purchase in the category

Time taken by the customers is an important factor because it shows how much of knowledge they have about the products

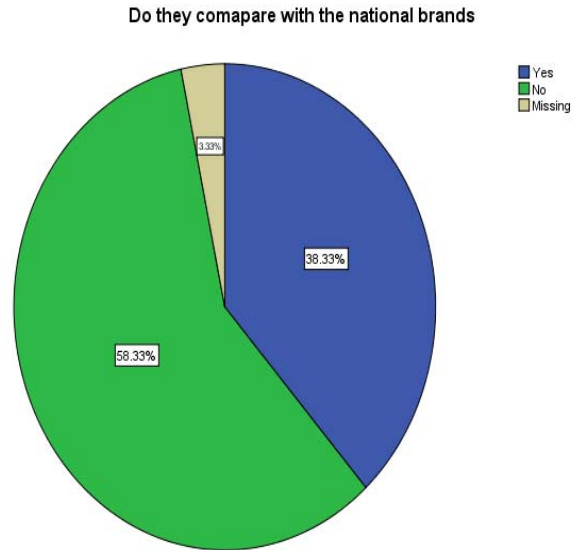
Time taken					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Immediate purchase	27	45.0	46.6	46.6
	Less than a minute	19	31.7	32.8	79.3
	1-2 minutes	11	18.3	19.0	98.3
	More than 2 minutes	1	1.7	1.7	100.0
	Total	58	96.7	100.0	
Missing	System	2	3.3		

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	Total	58	96.7	100.0	
Missing	System	2	3.3		
Total		60	100.0		

There is a huge crowd of people who are well aware of the products, who have used the products before and the ones who are very much satisfied with the quality of the product. That was the reason they did not go for a rethinking about buying the product. There were another chunk of people who were also familiar to the product still were quite quick enough to select the products. Only few customers were quite sceptical about the product, but bought the product. So it can be safely said that the time taken for product selection has a take on customer affinity.

3. Comparison With National Brands

This aspect is studied because people have the tendency of going for the product that is well known and when it comes from a trusted brand. It mainly happens with the Personal care products which people use it on their body



It is clear from the chart that majority, 60.3 percentages of the customers did not compare the “home and personal care” products with the other national brands. This shows the affinity of the customers towards the store brands and the kind of trust they hold with the brands.

VI. CONCLUSION

There exists a strong affinity for store brands in Home and Personal Care category of private labels. Majority of the customers who visited the store, were well aware of the products under “Home and Personal Care” category because of which they visited that aisle directly implying a high affinity. Lack of comparison with a competing national brand is a clear indicator of a strong customer affinity towards private label brands in home and personal care.

VII. SCOPE FOR FUTURE RESEARCH

Considering the existing customer affinity towards private label brands, there is a scope for further customer research with a view to explore deeper in this dimension. This would benefit the retail operators to unleash their maximum potential in attracting and enhancing store traffic. Also a demographic analysis based on affinity towards different category of private labels would help in devising better strategies in this direction.

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AUTHORS PROFILE

Deepa Unnithan Assistant Professor Bhavan’s Royal Institute of Management, Tripunitura Cochin, India

Harsha C Pathak II Year Student, Bhavan’s Royal Institute of Management, Tripunitura Cochin, India