UNDERSTANDING THE PRIVATE-LABEL PRONE SHOPPER OF YOGURTS

Background

Private labels are brands owned and distributed by the retailer while national brands are generally owned by a producer. Private labels are sold in a specific retail chain, and thus tend to have restricted distribution compared with national brands. Producers tend to advertise each national brand, while the advertising effort by the retailer is spread over all the products. The majority of private labels are cheaper than the national brands. As they hold the potential to drive store loyalty and to maintain profitability, retailers around the world continue to invest in private labels and they have witnessed significant growth in the last two decades (Dawes and Nenycz-Thiel, 2013). Given their strategic importance, the identification of the private-label prone shopper main characteristics has attracted attention of both practitioners and academics (Baltas and Argouslidis, 2007).

A private-label prone shopper buys store brands to a greater extent than national brands. A large body of literature provides evidence that private label attracts both price and quality conscious consumers (Baltas and Argouslidis, 2007). Moreover, the determinants of private-label proneness are known to vary across different product categories (Gonzalez-Benito and Martos-Pardal, 2012).

This study aims to point out the main consumer correlates of store brand proneness in a specific industry, the Portuguese yogurt market. This is a booming industry for store brands in Portugal, reaching nearly half of the total market share. Indeed, according to ACNielsen (2012) store brands represent 45% of the market in value and 53% in volume, while the top 3 national brands (Nestlé, Danone and Lactogal) together represent 50% of the market in value and 41% in volume.

Research Hypothesis

Based on previous studies, the following hypothesis were developed:

H1 - the higher the customer's sensitiveness to price the higher will be his proneness to buy private labels.

H2 - the perceived value influences positively the proneness to buy private labels.

H3 - there is a negative relation between the price/quality perception of consumers and proneness to buy private labels.

H4 - the perception of private brands is positively related with the proneness to buy private labels.

H5 - the existence of a negative relation between the level of personal involvement with the product and the proneness to buy private labels.

H6 - the existence of a negative relation between the perceptional consequences of making a bad mistake with the proneness to buy private labels.

H7 - the existence of a negative relation between the perceptional consequences of making a bad mistake with proneness to buy private labels.

H8 – the social consciousness is negatively related with the proneness to buy private labels.

H9 – the hedonic value negatively affects the proneness to buy private labels.

H10 – the importance given to a product category negatively affects the adoption of private labels.

H11 - the consumer's position towards private labels is negatively related with the consumer's loyalty to brands throughout the different product categories.

Survey development

The questionnaire encompasses four main sections. The first section presents questions focusing on general shopping behavior and shopping behavior in the yogurt category. Respondents were asked to provide the percentage of national and store brands they usually buy. In the second part all the 23 questions have to do, mostly, with yogurts and the conflict between national and store brands. This is done by measuring individual factors within this specific category, adapted from a previous study (Kapferer and Laurent, 1985) such as Perceptional Consequences of Making a Bad Choice (PCMBC), Probability of Making a Bad Purchase (PMBP), Social Consciousness (SC), Hedonic Value (HV) and Interest (I). The third part (20 questions) contains a more general evaluation of the individual factors that are put into consideration, when making a purchase decision and includes scales adapted from Burton et al. (1998), Ailawadi et al. (2001) and Bao et. al (2010) related to Brand loyalty (BL), Product Signatureness (PS), Price Consciousness (PC), Value Consciousness (VC), Price/quality Perception (PQP) and Perception of Private Labels (PPL). In part 2 and 3, the respondents had to show their level of agreement with the items presented based on a scale, with 1 meaning "entirely disagree" and 5 meaning "entirely agree". The final part of the questionnaire is composed by a group of 7 questions with the objective of evaluating the demographic and socioeconomic factors.

Sample design

The information required for this study had to come from people who regularly contact with FMCG in their home, specifically yogurts. This includes people who shop, consume or interfere in any stage of the decision making process. The questionnaire was administered by personal interviewing through mall-intercept interviews. The questionnaires were distributed and answered between December of 2012 and February of 2013.

Results

Demographic Sample profile

Of the 305 respondents analyzed, 209 respondents (68.5%) were female and 96 (31.5%) were male. The age groups were quite even in the 3 younger categories – 18 to 25, 26 to 35 and 36 to 50 – with 72 (23.6%), 74 (24.3%) and 81 (26.6%) respondents, respectively. The 51 to 64 group represents 15.7% of the total sample (48 respondents), while the people over 65 represent 9.8% (30 respondents). As for the composition of the sample, in terms of social status, we can see that most of the respondents are married with a total of 172 answers (56.4%). The number of single people represents 32.1% of the total population in the study (98 responses), while the number of divorced/widowers represents 11.5% with 35 responses. Twenty nine percent of the respondents have children under 18 years old.

Shopping behavior description

The majority of the respondents (51.5%) revealed that in their household they usually shop once or twice a week for yogurts. While 35.7% (109 respondents) shops for yogurts twice a month, 9.5% (29 respondents) once a month and 3.3% (10 respondents) more than twice a week. In terms of the number of types of yogurt they have in their household, the respondents answered mostly 2 (41.6%) or 3 (30.8%). The number of respondents that said they only had 1 type was 40 (13.1%), while the number of people who had 4 or more was 44 (14.4%).

In terms of what percentage of yogurt shopping went to private labels, the mean percentage of private labels in yogurt shopping was 45.7%, with a 95% confidence interval between 42.22% and 49.19%. The median was 0.5, the variance 0.096 and the standard deviation was 0.30972. This percentage ranged from a maximum of 100% (all yogurts are from store brands) to 0% (all yogurts are from national brands).

Exploratory factor analysis

In this study principal component analysis was performed, in order to identify a small set of uncorrelated variables to use in further analysis, followed by internal consistency analysis of each individual scale. Cronbach alpha coefficient ranged from 0,610 (PCMBC) to 0,929 (SC), revealing adequate internal consistency.

The primary objective of this study is to analyze the main factors that lead consumers to adopt private labels. Consequently, the percentage (%) of private labels bought for the yogurt category is regressed on the 11 scales previously defined. Due to the nature of the dependent variable, a truncated *Tobit* model was estimated.

Tobit Regression Model Results

The assumptions for the model were examined and confirmed. Looking at the value of the R square (R^2), the model explains 46.3% of the total variance. From the 11 construct initially tested, 6 were found to have statistically significant correlation with the dependent variable. Looking into the model results, 4 of the independent variables have a positive relation (PCMBC, SC, VC and PPL) with the dependent variable, while only 2 have a negative relation (BL and PC). Looking into the values of the coefficients (B) of the independent variables that hold a positive relation with the dependent variable, PPL is the factor that most influences consumer's selection of private labels of yogurts (B=0.155). This variable is then followed VC, PCMBC and SC, with 0.066, 0.052 and 0.035. Taking into account the variables with a negative relation with the dependent variable, we see that PC is the most significant factor for the selection of store brands of yogurts (B=-0.088). The PC is then followed by the other negative factor, which is BL with -0.057. Considering the demographic variables males buy a high percentage of private labels compared with females and the presence of children under 18 is positively related to private-label proneness.

Table 9 – *Tobit* regression results

	Unstandardized Coefficients		T	
	B	Std. Error		
(Constant)	.059	.198	.299	
PCMBC	.052	.025	2.105	**
PMBP	.014	.020	.704	
SC	.035	.017	2.013	**
HV	.020	.019	1.044	
I	-.025	.034	-.728	
BL	-.057	.017	-3.251	***
PS	-.017	.022	-.786	
PC	-.088	.032	-2.770	***
VC	.066	.026	2.522	**
PQP	-.033	.021	-1.562	
PPL	.155	.026	5.965	***
Gender (male)	.090	.032	2.790	**
Children	.100	0.010	10.000	***
F	13.343			
R2	0.334			

***significant at the 1% level. **5%. *10%

Conclusions

Looking at the aspects discussed above, we can see that consumers base their decisions on adopting a product on three different types of variables: price related variables, quality related variables and involvement with the product category related variables. The price related and the quality related variables (PPL, PC and VC) have the most influence on consumers when selecting store brands of yogurts. These types of variables are unlikely to vary throughout product categories, due to the fact that they have to do with individual perceptions and are indifferent to the product type. The variables related to the involvement with the product category (BL, PCMBC and SC) have less influence in the explanation of the dependent variable in this study. One of the interesting results regarding demographic variables is that having children under 18 increases private-label proneness.

One of the limitations that must be taken into account relates to the fact that the sampling design was based on a convenience sampling procedure and didn't have a national coverage.

Future research should focus on more than one product category. As the involvement with the product category related variables vary from product to product in the FMCG industry, product categories that have retailer brands with high and low market shares might be compared.

References

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