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# CONSUMER ATTITUDE TOWARDS PROMOTIONAL DEALS ON PRIVATE LABEL BRANDS

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## *Abstract*

*The present study aims to determine the factors that are considered important by consumers while choosing private label brands. The rationale for carrying out this research in India is the presence of strong middle class which is impelling retailers to ensure the presence of private label brands in their stores. Economic growth and emerging young customers who have brand and fashion awareness have attracted attention of retailers towards these brands. Keeping in view the dearth of work done, this study aims to probe into the possibilities of creating unique selling proposition for private labels. The size of the sample was restricted to 450 respondents and these 450 respondents were sub-divided into three groups of 150 from three most urbanized districts of Punjab i.e. Ludhiana, SAS Nagar and Amritsar. In each of the districts, one store of each of the following private label apparel brand was identified: Reliance Trends, Vishal Mega Mart and Pantaloons. These are major private label retailers and have a presence in each of the three cities chosen for sampling. It is found that all the three sub variables under the deal proneness dimension i.e. general deal proneness, price related deals and non price deals have a significant positive correlation with consumer attitude. The apparel brands which are available on price discounts in the off-season sale tend to attract more customers. Supermarkets and department stores drop the prices on well known apparel brands to draw more customers. They are offered cash rebates to encourage their purchase within a specified time period. Rebates help in clearing inventories without cutting list price. Some non-price promotion techniques are also helpful in stimulating additional store traffic. The most common non-price promotional techniques used by retailers to attract customers are sweepstakes, self liquidating offers like gifts or an extra product available with the main product and contests. The study is limited to urban shoppers in upscale market locations of the three districts of Punjab. As such it reflects the preference of a largely homogenized set of people with common cultural and ethical values.*

## Introduction

Private Label brands are the brands being owned, coordinated and sold exclusively by a retailer or supplier who gets its goods (Baltas 1997) produced by a contracted manufacturer under license under its own label (Berthon et al. 1999). Kumar and Steenkamp (2007) have defined store brands to be any brand that is owned by the retailer or distributor and is sold only in its own outlets.

Consumers perceive these brands as value product and purchase more in comparison to other branded products as quality level of these brands have also improved during past few years. Private label brands have been widely accepted because of various factors like value for money, familiarity, promptness to buy, perceived quality, perceived risk and income level of the consumer. The strongest correlation is improvement in quality of private label products which is effective in creating demands among consumers for these products. This also suggests that manufacturers can no longer assume that private label products are cheap alternatives bought mainly by people who cannot afford their brands Baltas et al, 2007.

With regards to attitudes towards private labels, the research of Burton et al. (1998) has proposed this attitude being related with consumers' perception of price, value and quality. Customers having positive attitude towards these brands have a greater prospects of buying them in comparison to customers having negative attitude.

## Literature review

**Burton et. al., 1998** measured consumer attitude toward private label brands and predicted its psychometric properties. Predictions were then tested regarding relationships between private label attitude and purchase behaviors. Predictive validity of the private label measure was supported by a positive relationship with private label purchases from a grocery store shopping trip. The variables were identified which leads to formation of positive attitude of consumer towards private label products. The findings suggested that positive attitude towards private label products relates to purchase of goods on sale but this strategy will not meet with long term success unless consumer perceive them to be of good quality. Despite a positive relationship between the latent constructs of private label attitude and deal proneness, the consumer segment that allocated a high percentage of total purchases to private label products made fewer purchases on offer or deal.

**Choi and Coughlan (2006)** examined the problems incurred by retailers in positioning their Private Label Brands (PLBs) in competition with National Brands (NBs) with respect to both product quality and features. A three- product demand model was deduced from the consumer utility conceptual structure. The three products included two NBs and one PLB. A convenience sample of nine respondents was taken and they were asked in which group they held both the brands. It was found that consumers do buy both types of brands in all product categories on a routine basis depending on their usage. Difference in quality and features of one brand is the most effective strategy to compete with the other brand. If private labels are available in accordance with quality and feature of a NB, retailer's profitability increases if this does not incur high cost. Analysis revealed if a NB is significantly distinguished from a PLB, but the quality of the PLB is high in comparison to the NB, it will compete strongly against the already established NB. When NBs are not positioned on the basis of their distinct features, PLB will compete to hold a strong position.

**Smith and Bashaw (2009)** in their paper outline how the retailers in three big emerging markets could implement the information processing theory to enhance their Private Label branding strategy. The paper first discusses the theory of information processing. Consumers process information in two different manners, piecemeal and category-based. Second, it examines the market forces, trends and strategy for Private Label brands among various types of consumers and retailers. Third, using three big emerging markets (China, India and Mexico), it diagrammatically shows and discusses how consumers might process information about PL and national/global brands.

**Cuneo et al. (2012)** the purpose of this paper was to examine whether private label brands have been able to build brand equity throughout their development. The researchers aimed to develop and test a measurement model that measured private label brand equity across product lines. Prior research had considered Private Label Brands as the unbranded alternative to manufacturer brands. In this research, empirical evidence was provided that PLBs have built brand equity throughout their development and that this equity varies across the different PLB offered in the market, and across product lines. These findings offer valuable insights to retailers on how to manage Private Label Brands and to manufacturers on how to approach and compete against them. The vast majority of academic research has not approached the PLB phenomenon from a branding perspective. This research constitutes a first attempt to measure brand equity on PLBs.

**Chakraborty (2013)** investigated general perceptions and the behavior of customers towards PLBs. The study also pinpoints various factors that have increased customer's inclination towards PLBs. The research paper is entirely conceptual and the author has reviewed the former literature. His paper also ascertains factors that customers consider important for not choosing PLBs. The findings reveal that price and quality are the main factors in selecting a PLB. Customers avoid low priced private labels because of poor quality but they are accepted by customers from lower income groups as the price gap between NB and PLB is very large. Due to budget restrictions PLBs are advertised mostly in stores and not on a large scale as NBs, therefore customers are less aware about these brands. Retailers have started positioning these brands as premium brands by improving their brand image, quality and packaging to compete with already established NBs.

**Ahmad et. al., 2014** conducted a study to explore the factors which influenced the purchase of store brands at Tesco Hypermarket at Malacca in Malaysia. The main purpose of the study was to analyze which factors contribute more to the satisfaction of the consumers. The data was collected from 300 respondents from various groups based upon their gender, ethnicity, education level, marital status and monthly income, through questionnaires. The study concluded that consumers are significantly influenced by price and promotion of store brands at Tesco hypermarket but are less influenced by brand image and quality of these brands.

**Loganathan (2016)** studied impact of PLB on profitability and overall performance of product categories in Indian market. The key factors were identified that helped PLBs to increase their market share. These include elevated total margins, elevated quality comparative to NBs, inflated product category sales, less variability in quality of PLBs, less amount of money spend on advertisements for PLBs and less number of NB manufacturers.

**Hemantha and Arun (2017)** studied consumer perception towards PLBs by reviewing the available literature and understanding the development of these brands. It was concluded that consumers relate strongly with PLBs and are familiar with the fact that PLBs can challenge NBs in terms of price. By stocking PLBs, retailers are notably improving their store revenues. The study also revealed that a small number of consumers are loyal to particular stores but prefer to buy PLBs in comparison to NBs if they are price sensitive.

## Deal Proneness towards Private Label Brands

According to the American Marketing Association, deal proneness is defined as "an illustration of the behavior of those consumers who make product purchase decisions on the basis of whether a specific product is being sold under some sort of deal or not". Deal proneness is a consumer's common tendency to use promotional deals such as buying on sale or using coupons.

In the current study, deal proneness dimension has been used to determine consumer attitude toward private label brands. This dimension was given by Burton et al. (1998). There are three sub-factors that constitute this dimension. These are:

- General deal proneness
- Price related deals
- Non Price deals

## Research Objective

- To study the effect of deal proneness on the attitude of the consumer towards private label brands.

## Hypothesis

Ho 1(a): General deal proneness has no significant impact on consumer attitude

Ho 1(b): Price related deals has no significant impact on consumer attitude

Ho 1(c): Non price deals has no significant impact on consumer attitude

## Reliability

Chronbach alpha was calculated for the three factors measuring deal proneness dimension viz. General deal proneness, Price related deals, Non Price deals. According to Malhotra and Dash (2011), the threshold limit of Chronbach alpha is 0.6. The values reliability analysis of reputation dimension came out to be above 0.6 indicating reliability of scales.

**Table 1: Reliability Analysis of Deal Proneness dimension**

| Cronbach's Alpha | N of Items |
|---|---|
| .819 | 17 |

## Analysis and Interpretation

**Table 2: Relationship between consumer attitude and Deal Proneness**

| Dimension | Variables | Pearson coefficient | Sig. (2-tailed) |
|---|---|---|---|
| Deal Proneness | General deal proneness | .783 | .006 |
| | Price related deals | .621 | .005 |
| | Non Price deals | .544 | .003 |

**Correlation is significant at 0.05% (2-tailed)**

In order to find out whether significant correlations exist between consumer attitude and three variables of deal proneness i.e. general deal proneness, price related deals and non price deals the correlation table was constructed. The analysis reveals that the sub-variable, general deal proneness, has the highest value of correlation (0.783) followed by the sub-variable, price related deals (0.621), and the sub-variable non price deals has the lowest value of correlation (0.544) with consumer attitude towards private label brands. The Pearson's coefficient table shows that all the three variables of deal proneness dimension have a significant correlation with consumer attitude.

Two tailed test is performed where the hypothesis about the population mean is rejected for values falling into either tail of the sampling distribution. Two tailed test is performed at significance level 0.05. The result in the table shows that p value comes out to be 0.006 for the sub-variable, general deal proneness, 0.050 for the sub-variable, price related deals and 0.003 for the sub-variable, non price deals.

The above discussion reveals that all the three variables of deal proneness dimension i.e. general deal proneness, price related deals and non price deals contribute significantly in forming a positive attitude of consumers towards PLB while making a purchase decision. Hence the analysis helps in concluding that all the three sub-variables of the deal proneness dimension are important in the model and influence consumer attitude.

**Table 3: Regression Model of Impact of Deal Proneness on Consumer Attitude**

| Model | R | R Square | Adjusted R Square |
|---|---|---|---|
| 1 | .798[a] | .636 | .633 |

Independent Variables: General deal proneness, Price related deals, Non Price deals

Dependent Variable: Consumer Attitude

In order to further confirm the results obtained by correlation analysis, a regression analysis was performed with attitude as a dependent variable and the three variables of deal proneness dimension as independent variables as shown in the table 3.

The regression coefficient came out to be 0.798. A better estimate of model fit is R square which is 0.636 which means 63.6% of variation in the dependent variable is explained with the help of the regression model. The value of R-Square was 0.636, after computing, the value of adjusted R-Square came out to be 0.633. The result shows that all the variables which are added to the model to study consumer attitude are contributing significantly to measure consumer attitude.

**Table 4: Regression Analysis of Deal Proneness in forming Consumer Attitude**

| Model | Standardized Coefficients | | Sig. |
|---|---|---|---|

| | | Beta | B | (p-value) |
|---|---|---|---|---|
| 1 | (Constant) | | 0.216 | .000 |
| | General deal proneness | .461 | .464 | .004 |
| | Price related deals | .347 | .326 | .004 |
| | Non Price deals | .385 | .323 | .000 |

**Significant at 0.05 level (2-tailed)**

In the above table, all the three variables measuring consumer attitude are statistically significant. The higher the beta coefficient, the more is the contribution of the factors influencing consumer attitude. The variable, general deal proneness, with beta value 0.461 has the highest contribution in forming consumer attitude towards PLB, followed by non price deals with beta value 0.385 and the sub-variable, price related deals, has the least beta value 0.347 which means it contributes the least out of the above three factors in forming the attitude of consumer towards PLB.

The next columns in the table above provide 2 tailed p-values which are used in testing the null hypothesis. It is apparent that the p-value for the variable general deal proneness is 0.004, which is less than the value 0.05; for price related deals it is 0.004, which is less than the value 0.05; for non price deals it is 0.000, which is less than the value 0.05. The above values show that all the three variables of deal proneness dimension have a significant influence on consumer attitude.

**Testing of Hypothesis**

Hypotheses Ho 1(a), Ho 1(b), Ho 1(c) are rejected since general deal proneness, price related deals, and non price deals have a significant relation with consumer attitude towards private label brands.

## Conclusion

Respondents who are highly inclined towards general deal proneness strongly feel like successful shoppers when they purchase products that offer special promotions. For such customers receiving a promotional deal with a product purchase makes them feel motivated. Respondents who are highly inclined towards price related deals and are motivated to respond to rebate offers believes that it gives them a sense of joy to buy those apparels that are available on rebate or discount. They enjoy buying them regardless of the amount of money they save by doing so. The study reveals that shoppers enjoy entering manufacturer's contests. When they buy an apparel brand connected with a contest, they feel that it is good deal. According to them entering a contest is fun even if there are no chances of winning it. These insights act as a lot of fodder for the marketers and brand experts and specialists to align their marketing mix in a way that effectively caters to their target audience and build a consumer connect so that they identify with the brand and lead to a more informed buying decisions.

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