INVESTIGATING KEY FACTORS INFLUENCING PURCHASE INTENTION OF APPAREL PRIVATE LABEL BRANDS IN INDIA

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ABSTRACT

In a new retail landscape, retailers have realized that the most important engine to drive both growth and profitability is strategically building private labels. The study investigates key factors of consumers’ purchase intention of apparel private label brands (PLB). In this study private label brand refer to those brands which are exclusively sold by retailers. To understand the constructs under study, a consumer survey was conducted in major department store chains in Indore, India which are offering apparel private label brands. Primary data was collected by using a convenience sampling technique and after preliminary data screening, 654 valid responses were considered for data analysis and multiple regression analysis was applied. The research model of the study holds purchase intention being the dependent variable which is tested against independent factors including “consumer’s familiarity and affective perceptions, perceived quality, perceived value, and perceived risk perceptions of PLB”. The major findings of the study are that major factors of purchase intention of private labels are consumers’ familiarity and affective perceptions, perceived risk, and perceived value. The findings boast several valuable strategic implications for retailers and marketers. The study also outlines a new panorama for future research possibilities as there are quite a few promising aspects for further research.

Keywords: Retail, Familiarity, Affective Perceptions Quality, Perceived Risks, Perceived Value.

INTRODUCTION

In the current retail scenario, retailers are formulating multichannel retail strategies by introducing innovative retail formats and are thus targeting newer customer segments with a wide range of product offerings. The private label brand offerings have proved to be the most important engine to drive both growth and profitability for retailers. Private Label brands (PLBs) are defined as “a brand that is owned by the product’s reseller rather than by its manufacturer (In rare instances, the reseller may be the manufacturer as well), and a brand name or label name attached to or used in the marketing of a product other than by product manufacturers, usually by a retailer” (American Marketing Association, 2005). There are several enticements for retailers to create PLBs such as enhancing store loyalty, and escalating store traffic. PLBs are ornamental in negotiations and become a strength toward manufacturers, etc. (Baltas & Argouslidis, 2007). Consequently, PLBs become a dependable way to augment sales at a fairly low cost. As per IBEF Retail Report (2019) “The share of private label in India is just 6 per cent
and major stores generate 15 to 25 per cent revenues from private label brands”. Nielsen’s Report (2018) that “The largest markets for private-label products are found primarily in the more mature European retail markets.” Moreover, Asian countries, there is slow penetration of private label brands (Cuneo et al., 2019) thus affirming that success factors impacting PLB differ in Asian countries as compared to Europe or USA. Most of the research studies on private label brands were conducted in the US/European markets (Pangriya & Kumar, 2018) and therefore, it needs to see if the results can be generalized for Indian consumers. Moreover, Muruganantham & Priyadharshini (2017) pointed out that the highest number of research studies were carried out in food and grocery product category, a leading PLB research area whereas modest studies focused on apparel PLBs. Sarkar et al. (2016) in an exploratory study found that besides food and grocery, apparel is also the preferred PLB product category in India. The knowledge base of food and grocery retailing might not be effortlessly pertinent to department retail stores with apparel, the foremost reason being that the meaning and significance of clothes is unlike that of importance of food in grocery items. Since grocery products are considered utilitarian, functional products with a sense of convenience are attached to them. Clothes are generally a higher involvement than grocery items and in addition, buying decisions for apparel is more experiential and for instance, shopping goods like fashion clothing engages high level of risks and efforts in shopping as compared to than convenience goods like fresh produce or grocery items. Moreover, apparel product connotes special meaning to the consumers, as they symbolize not only status-quo and group affiliation (Auty & Elliott, 1998) but also depicts in one’s adherence to the latest trends, in clothing. In such a context, generalizing the findings of grocery PLB studies to cover apparel PLBs shall possibly be inappropriate. The study endeavors to fill this research gap in literature by focusing on an apparel product category in the Indian context by developing thoughtful consumers’ perceptions towards PLBs. Understanding their influence on buying intention is also expected to have practical and strategic implications for store retailers.

LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

PLB Purchase Intention

Purchase intention signifies “the possibility that consumers will plan or be willing to purchase a certain product or service in the future” (Wu et al., 2011). Rearing of the consumer’s interest in buying PLB products is the foundation of the consumer’s purchase decision. Boon et al. (2018) showed that “perceived quality, price and store image have significant influence on the purchasing intention of private brand of consumer goods in Malaysian marketplace”. Muruganantham & Priyadharshini (2017) examined PLB literature and found that its determinants broadly comprised of Consumer consciousness, perceived characteristics and evaluation criteria. Lately, Gupta et al. (2020) discovered that the determining factors are “store brand awareness, store perceived quality, store brand loyalty, store brand price image, store reputation and store commercial image”.

As a theoretical foundation, this study adapts Ajzen & Fishbein’s (1980) theory of reasoned action ("beliefs-attitude-intention") and while selecting factors that may influence PLB purchase intentions, Private Label brand model (Lijander et al., 2009) was adapted. Furthermore new factors familiarity and affective perception were added. Thus the basis of the proposed conceptual model is that the five consumer perceptual characteristics including PLB familiarity, PLB affective perceptions, PLB perceived risk, PLB perceived quality, and PLB perceived value contributes directly to explain PLB purchase intention.
PLB Familiarity

Familiarity is considered by consumer researcher studies as a vital aspect that sways consumers into making a buying decision (Bettman & Park, 1980). Moreover, Gangwani et al. (2020) found that PLB familiarity greatly influences store loyalty. It becomes the basis on which they evaluate the product/brand quality. Fan et al. (2012) in his meta-analysis of 48 studies that aggregates empirical findings from the literature suggest, consumer familiarity with PLBs was the significant factor that influence the consumer’s behavior towards PLBs. Addressing the above empirical support and taking into account that when a consumer is short of brand familiarity, it will be excluded from consideration-set of the consumer’s purchase decisions, henceforth; it can be assumed that

\[ H_1 \quad \text{PLB-Familiarity has a positive effect on PLB-Purchase Intention} \]

PLB Affective Perception

Mehrabian & Russell (1974) stated that “It is a basic premise of environmental psychology that people respond to places, products and brands emotionally”. As reported by Taute et al. (2014) in retail shopping contexts, consumers may observe feelings for a clue as to either approach or avoid. At department stores, consumer buying brands may be determined by quality; in addition, it was observed that consumers are buying brands to fulfill their emotional needs also. Consequently, consumers’ intent to buy raises as their emotional brand value enhances. This optimistic association amid emotional value and purchase intention ought to be valid for a PLB also. Taute et al. (2014) showed that the consumer’s robust favorable affective perceptions are determining brand attitude and purchase intention. The combination of an emotional perceptions and consumers’ by and large evaluation of likeliness for a PLB develop the affective perception. Addressing the above empirical support, it can be assumed that:

\[ H_2 \quad \text{PLB-Affective Perception has a positive effect on PLB-Purchase Intention} \]

PLB Perceived Quality

Quality is believed to be a centre of the competition between PLBs and national brands in expressions of the consumer’s aspiration for quality of PLBs and at the same time capability of retailer to deliver the same at par with national brands. As per Yang (2012), at strategic level, retailers ought to robustly reinforce perceived quality of PLBs. The perceived quality disparities amongst PLBs and national brands are an important determining of intention to purchase. PLBs perceived quality directly affects the purchase intent of consumers towards PLBs (Yan et al., 2019; Liljander et al. 2009). The findings of such studies conclude that the higher the strength or the more favorable the perception, the more likely the consumer will purchase the PLB and develop patronage towards the PLB. Therefore, it can be assumed that PLB perceived quality has a positive effect on the consumer’s PLB purchase intention.

\[ H_3 \quad \text{PLB-Perceived Quality has a positive effect on PLB-Purchase Intention} \]

PLB Perceived Risk

Diallo (2012) refer perceived risk as “the individual’s subjective beliefs about potentially negative consequences from his/her buying decision or behaviour which cannot be anticipated with certainty”. Erdil (2015) indicated that in apparel retailing, the consumer’s risk perceptions are negatively related to intention to buy which implies that consumers wish to avoid risks while
shopping at retail outlets. Wu et al. (2011) also verifies the negative impact of perceived risk on the PLB’s purchase intention. At retail department stores, consumers have options of national as well as PLBs, but in case of adverse expected outcomes, consumers are likely to turn to national brands as in comparison they abide by less risk (Liljander et al., 2009). Sathya (2015) indicated that “Indian consumers’ purchase intention of PLBs in food and grocery is influenced by consumers’ perceived risk”. Similarly, Kakkos et al. (2015) while studying Greece supermarket chains brought out that “customers’ intention to purchase PLBs is primarily driven by perceptions of risk in study of their private label products”. Given the empirical evidences above, it is implicit that PLB perceived risk has a negative influence on the consumer’s PLB purchase intention.

\( H_4 \quad \text{PLB-Perceived Risk has a negative effect on PLB-Purchase Intention} \)

**PLB Perceived Value**

Perceived value is revealed to absolutely influence consumer willingness to buy a product (Sweeney & Soutar, 2001). Furthermore, price-quality linkages significantly influence PLB purchase, especially in a category that consumers perceive as more risky (Sinha & Batra, 1999). Consumer’s perceived value is debatably the most decisive determinant factor of purchase intention. As per Kara et al. (2009), it is the major factor in forming a favorable perception of the PLB which strengthens the linkages connecting the consumer and the brand. Beneke & Carter (2015) found that consumers recognize value through the product’s price, risk and quality cues thus retailer seizes all these as levers at their disposal to impact perceived value. Given the empirical evidence above, it can be assumed that:

\( H_5 \quad \text{PLB-Perceived Value has a positive effect on PLB-Purchase Intention} \)

**METHODOLOGY**

The populations of the current study were all shoppers who regularly shop at organized Indian department stores. A consumer survey was designed after reviewing relevant literature. The questionnaire consisted of questions regarding demographic variables and questions on the constructs were as item statements, adapted from literature. Five point Likert scale was adapted to measure all the items of adapted scale. The scale of survey instrument for construct PLB-Familiarity was adapted from Flavián et al. (2006); PLB-Affective perception and PLB-perceived quality was adapted from Vahie & Paswan (2006), PLB-perceived risk from Beneke et al. (2012); and Liljander et al. (2009), PLB-perceived value was adapted from Sweeney & Soutar (2001); and Dodds et al. (1991) PLB-purchase intention was adapted from Diallo et al. (2013) respectively. Survey instrument’s construct validity was carried out by detail discussions with the expert panel from marketing, retailing and consumer behavior. The instrument was also validated by language and content expert.

Later, using a non-probability convenience sampling technique, responses from frequent store shoppers of apparel products were collected at Indore, a city in central India. After preliminary data screening, 654 valid responses were considered for data analysis. The sample comprised of 50 percent female and 50 percent male. The total sample (654 respondents) comprised of 47 percent graduates, 43 percent postgraduates, 5 percent undergraduates, and 5 percent PhD. The remaining 8 percent were in age group more than 45 years. The respondents
were from diverse socio and economic setting with 43 percent with an annual family income between 0.2 million to 0.5 million; and 30 percent with 0.5 to 1 million Indian rupees, 12 percent with more than 1 million and 15 percent less than 0.2 million Indian rupees.

To measure Internal consistency of the questionnaire items was measured using Cronbach Alpha (α) and all the multi-item scale of the constructs is well-over the minimum acceptable level of 0.7 as given in Table 1. Thus all the constructs were found to be reliable in the study and in addition factor loading values were also more than 0.50. Hence, confirming the validity of all the dependent as well as independent constructs.

Table 1

<table>
<thead>
<tr>
<th>Constructs</th>
<th>Source of Instrument (Scale)</th>
<th>Cronbach Apha</th>
</tr>
</thead>
<tbody>
<tr>
<td>PLB-Familiarity</td>
<td>Flavián et al. (2006)</td>
<td>0.711</td>
</tr>
<tr>
<td>PLB-Affective Perception</td>
<td>Vahie &amp; Paswan (2006)</td>
<td>0.740</td>
</tr>
<tr>
<td>PLB-Perceived Quality</td>
<td>Vahie &amp; Paswan (2006)</td>
<td>0.849</td>
</tr>
<tr>
<td>PLB-Perceived Risk</td>
<td>Beneke et al. (2012 &amp; 2013); Liljander et al. (2009)</td>
<td>0.727</td>
</tr>
<tr>
<td>PLB-Perceived Value</td>
<td>Sweeney &amp; Soutar (2001); Dodds et al. (1991)</td>
<td>0.711</td>
</tr>
<tr>
<td>PLB-Purchase Intention</td>
<td>Diallo et al. (2013)</td>
<td>0.701</td>
</tr>
</tbody>
</table>

RESULTS AND DISCUSSION

To test the hypothesis framed above, multiple regression analysis has been conducted. Overall, regression model found 34.5% \( R^2 = 0.345 \) of the variance where Purchase Intention explains five independent variables, such that value \( R = 0.587 \) and Adjusted \( R^2 = 0.340 \). Table 2 shows that independent variable, Familiarity (H1), Affective perception (H2).

Table 2

<table>
<thead>
<tr>
<th>Regression Model Coefficients and Critical Ratios</th>
<th>Unstandardized Coefficients</th>
<th>Stand. Coeff.</th>
<th>t-stats</th>
<th>p value</th>
<th>Tolerance</th>
<th>VIF</th>
<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Constant)</td>
<td>8.436</td>
<td>0.703</td>
<td>11.996</td>
<td>0.000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PLB-Familiarity ( \rightarrow ) PLB-PI</td>
<td>0.128</td>
<td>0.044</td>
<td>0.111</td>
<td>2.888</td>
<td>0.004</td>
<td>0.687</td>
<td>1.456</td>
</tr>
<tr>
<td>PLB-Affective Perception ( \rightarrow ) PLB-PI</td>
<td>0.297</td>
<td>0.061</td>
<td>0.191</td>
<td>4.855</td>
<td>0.000</td>
<td>0.656</td>
<td>1.524</td>
</tr>
<tr>
<td>PLB-Perceived Quality ( \rightarrow ) PLB-PI</td>
<td>-0.020</td>
<td>0.031</td>
<td>-0.022</td>
<td>-0.637</td>
<td>0.524</td>
<td>0.887</td>
<td>1.128</td>
</tr>
<tr>
<td>PLB-Perceived Risk ( \rightarrow ) PLB-PI</td>
<td>-0.086</td>
<td>0.017</td>
<td>-0.168</td>
<td>-4.903</td>
<td>0.000</td>
<td>0.860</td>
<td>1.163</td>
</tr>
<tr>
<td>PLB Perceived Value ( \rightarrow ) PLB-PI</td>
<td>0.399</td>
<td>0.041</td>
<td>0.352</td>
<td>9.711</td>
<td>0.000</td>
<td>0.767</td>
<td>1.303</td>
</tr>
</tbody>
</table>

\( R^2 = 0.345; \ R = 0.587; \ ) Adjusted \( R^2 = 0.340; \ ) Durbin Watson value = 1.991

Note: PLB-PI: PLB Purchase Intention

Perceived Risk (H4) and Perceived Value (H5) are statistically significant factors of purchase intention, while perceived quality (H3) has no influence on purchase intention (Table 2). The current study has the tolerance value and VIF values above 0.50 and less than 3 respectively, hence does not bear any multicollinearity (Table 2). In addition, Durbin-Watson
test which reports autocorrelation has value 1.991, indicating that all the variables of this study are strongly and positively correlated.

The findings highlighted that consumers’ intention to purchase apparel PLBs is largely determined by PLB perception of risk and perceived value. The results are consistent with the recent study by Kakkos et al. (2015). The finding that the consumer’s apparel PLBs’ familiarity affects its purchase intention supports H1, and is consistent with reviewed literature. Since modern organized retailing is moderately new in India, Rashmi & Dangi (2016) pointed out that the awareness levels of various retail brands amongst Indian consumers needs to be gauged first. The results of the study supports H2, which implies that consumer’s affective perceptions, the emotional likeliness and response of apparel private label brands is an important predictor while the Indian consumer’s intent to buy apparel PLBs from modern retail stores. This finding aligns with Das (2014) which brought out that favorable and positive feeling of Indian consumers and their attitude towards a product/PLB will influence their purchase intention. Contrary to the researcher’s expectation, the perceived quality doesn’t indicate any relationship with apparel PLB purchase intention is indicative of Indian shoppers are least concerned with the quality of PLB. Thus, H3 is not supported by the study. This finding is not consistent with the literature. In addition, the study empirically also found that perceived risk perceptions negatively affect the purchase intention of apparel PLBs, supporting H4, which are in consistent with studies, Sathya (2015); and Bhukya & Singh (2015). One central finding of the current study is that perceived value can be adjudged as the strongest forecaster of purchase intention, supporting H5, which is in consistent with many prior research studies. The results also echo with Sweeney & Soutar (2001); and Beneke & Carter (2015) which inferred that perceived value possess strong and encouraging influence on the consumer's keenness to purchase PLBs.

CONCLUSION

The study endeavors to examine the factors of purchase intention of apparel private label brands in India. The study considered, consumer’s familiarity with PLBs, affective perceptions towards PLBs, perceived risk, perceived quality and perceived value as independent constructs in the study as possible factors influencing purchase intention of apparel PLBs and results of the study demonstrates that all these factors influence consumer purchase intension except perceived quality of PLBs. Consequently, it can be implied that Indian consumers possibly will infer the quality guarantee of apparel PLBs. However, other aspects such as familiarity, affect (emotional response), risk, or value for money might take preference over quality in shaping Indian consumers’ purchase intention of apparel PLBs. The findings boast several valuable strategic implications for retailers and marketers. To market PLBs, retailers ought to focus on strategies to increase PLB familiarity among targeted consumers by building high levels of brand exposure, consequently department store retailers need to reinforce advertising and promotional campaigns. Retailers need to ensure that customers fondness for PLBs of their store, increase, and they bond emotionally. As study highlights that the most considerable factor in increasing consumers’ purchase intention of apparel PLBs is perceived value, retailers need to hit a balance in price versus quality PLB propositions so as to seek favorable perceived value perceptions from consumers. While at the same time, need to take appropriate steps to reduce the consumer’s perceived risk by, enhancing the store’s image and gain consumer trust besides raising consumer awareness levels. Lastly, retailers wishing to boost sales and increase the consumer’s intent to
purchase their PLBs ought to mull over ways to minimize and control customers’ risk while enhancing value for value-conscious Indian consumers. This study contributes in building a theoretical model to establish factors influencing private label purchase intention. The major findings of the research showed that consumer perceptions towards familiarity & affective perception; and perceived value have positive and significant effect on PLB purchase intention. While PLB perceived risk has negative and significant influence on PLB purchase intention. However, PLB perceived quality does not significantly impacts PLB purchase intention. These findings shall facilitate in developing better understanding of the Indian consumers and can also help in formulating relationship marketing strategies for PLBs in competitive Indian retail marketplace. The study outlines a new panorama for further research as there are quite a few promising aspects for further research. The interrelationships of various constructs of the study can be a possible area of research. For instance relationship between PLB Familiarity, perceived risks while buying PLBs and Perceived value can be an interesting study. Future studies can dwell on the impact of demographic/psychographic factors on willingness to buy PLBs. Since in new retail landscape consumers are also buying PLBs online, future researchers can explore factors that may assist in using the theory of reasoned attitude for explaining consumer’s online behaviors.

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