

**A STUDY ON THE INFLUENCE OF THE PRIVATE  
BRAND LOYALTY ON STORE LOYALTY IN  
CONVENIENCE FOOD**

**Dulari. S.S\***

**Prof. Dr. R. Haridas\*\***

**ABSTRACT**

Organized retail is still in its infancy in India experiencing ups and downs in the economy. Private brands, also popularly known as store brands, a relatively new concept which emerged in the last three decades are now showcasing a positive sales trend by capturing the minds and wallets of Indian consumers. This paper has brought to the fore, the relationship between brand loyalty and store loyalty of private brands in convenience foods category and the extent to which it shapes the purchasing habits of consumers. The researcher has made use of Pearson Correlation to identify this relationship. This study also contemplates the relationship between these variables and the demographic characteristics of consumers. A deep understanding of the interactions between these variables will enable the retailers to leverage the benefits of private brands to enhance their retail businesses.

**Key words: Brand loyalty, Organised retail, Private brand, Store loyalty.**

**\* Doctoral Research Scholar, Department of Business, Administration, Karpagam  
University, Coimbatore**

**\*\* Assistant Professor, Department of Business Administration, Govt. Arts College  
(Autonomous) Tamil Nadu**

## 1. Introduction

Neilsen (2013) estimates that in India, food alone accounts for 76 percent of the total sales in private brands, thus dominating the India's Private – brand market. Grocery shopping is no longer just a necessity, but often entertainment also—at least to those who have access to modern-retail formats which enable combining the two. Anirban Sengupta (2008) in his exploratory study of the evolution of modern Indian retail has brought out the fact that the emergence of modern retail in India has been a two-pronged phenomenon. One has been the evolution of the traditional counter-format retail to self-service modern-format retail. The other has been the successful establishment of large format retailers. Besides these he concluded that it is the entrepreneurial desire to provide better service at competitive prices thereby capitalizing on emerging business opportunity forms the triggers for the upsurge in the modern retail. This study is more relevant in the context that organized retail is burgeoning in India than ever before.

## 2. Conceptual background

Private brands or in-house brands are those brands developed and marketed exclusively by the retailers. Further it is used by retailers not only to increase business but also to win the loyalty of their customers. It enhances a retailer's image and strengthens its relationship with consumers. An analysis of the growth of Private brands in India reveals that private brands are now dominating the sales in most of the product categories. Moreover, some private brands have grabbed the position of their national brand counterparts. Previous literature has shown light to the fact that Private label products have a strong influence on consumer behaviour. If customers consume and are satisfied with a private label product, they must return to the same store to purchase it again (Pepe et al. 2011).

Brand Loyalty refers to the extent to which a customer is trustful to a particular brand. This is the customer's commitment to stay with the brand. It is a consumer's conscious or unconscious decision that is expressed through the intention or behaviour to repurchase a particular brand continually (Wongfoong Yee & Yahyah Sidek, 2008). This is the customer's commitment to stay with the brand. A brand can only be strong if it has a strong supply of loyal customers. By having loyal customers, there are two benefits which the firm attains: the first is defensive, to give the customer no reason for leaving the brand, the other is offensive, to create a personalized

relationship with the client- “customer bonding”. A long term brand loyalty can never be achieved by only maintaining the price differential. It can be done only by creating and injecting added value into the brand. While looking back during the initial stages it can be noticed that private brands had created the image of a low priced, low quality product. But in due course, though it continued to possess the label of being low priced, it has improved the quality so that it started gaining acceptance among the consumers. Once if a brand gains the mind share of its consumers it will reduce the uncertainty, which defines the stability of the brand.

Private brand loyalty likely results in increased profit for the retailer due to consumers purchasing a higher percentage of merchandise from the retailer.(Cortsjens and Lal, 2000; Ailawadi, 2001). Hu and Chuang (2009) have commented that brand loyalty provides predictability and security of demand for the firm and creates barriers to impede other competitors from entering the market while leading to customers being willing to pay a higher price for desired brands. Thus building and maintaining brand awareness and brand loyalty are important tasks as far the retailers are concerned. However, consumer loyalty in the context of retailing is a complex issue. It is multi-tier having brand loyalty on one side and store loyalty on the other(Robinson,1995). The fact that Private brands claim the status of a brand carrying the store name makes it even more complicated. The loyalty to private brands has evolved to play an integral role in building Store Loyalty. Consumers who are loyal to the private brand will have a favourable perception of the overall retailer brand(Wulf et al., 2005). As cited by Anne Sophie Binninger, this enables the private brands to reach a sense of satisfaction, stated loyalty and repurchase behaviour that is likely to spill over onto store loyalty. Referring to these inseparable connections between private brands and store, consumers who profess to be loyal to a specific private brand are likely to be more loyal to this store(Uncles and Ellis, 1989; Steenkamp and Dekimpe, 1997)

Despite many studies conducted on the influence of private brand loyalty on store loyalty, there is neither clarity nor a conclusive research finding available on the topic. Some studies show there is a positive relationship whereas yet others reveal the negative relationship.Private brands improve customer loyalty towards retailers(Collins-Dodd & Lindley 2003; Richardson et al. 1996). There is also a positive correlation between store loyalty and store brand

purchase(Ailawadi et Al. 2001; Kumar and Steenkamp 2007) derived from the comparable quality of store brands and national brands.

Contrary to this some researchers also posit an inverse relationship between Private Brand loyalty and Store loyalty. Richardson(1997) revealed that consumers may shop in multiple stores & exhibit loyalty to private brands in general, and not to a particular private brand associated with a particular store. In this context it is interesting to note that some research studies have brought out a non-monotonic relationship between these two variables. i.e. it will be positive up to a certain private brand loyalty level, after which it turns to be negative.

This study is primarily intended to explore the relationship between Brand loyalty and Store loyalty in the Convenience foods category in the selected retail outlets in Cochin. The Convenience foods include those foods that are ready to cook or read to eat and are selected based on their availability in private brands category.

### 3. Research Methodology

The target population for this study was the customers of the selected three retail stores namely, Reliance, More and Big Bazar of Cochin city. A simple random sample procedure is adopted to select a branch of each of the three retails brands. The survey was conducted during the weekends over a time frame of two months;the researcher went personally to the targeted locations and distributed questionnaires to the respondents. An equal number of questionnaires were distributed (75 Nos.) to the customers of the selected stores. The inclusion criteria were those customers who had been repeatedly purchasing convenience foods in private brands. Table I gives the distribution of the completed schedule accepted for the study from each of the retailer's after the careful edition of the questionnaires. Also the demographic profiles of the participants in the survey are listed in Table 2

**Table 1**

<i>Retail store</i>	<i>Frequency</i>	<i>Per cent</i>
Reliance	63	33.9
More	66	35.5
Food Bazar	57	30.6

**Table 2: Profile of the participants participated in the survey**

<b>Demographic Factor</b>		<b>Number</b>	<b>Per cent</b>
<b>Gender</b>	Male	87	46.8
	Female	99	53.2
<b>Age</b>	Below 20	45	24.2
	21 -40	99	53.2
	41 - 60	36	19.4
	61 and above	6	3.2
<b>Occupation</b>	Govt. Employee	27	14.5
	Self-employed	27	14.5
	Private sector	48	25.8
<b>Income</b>	Student	51	27.4
	Housewife	33	17.7
	Below 10,000	15	8.1
	10,001 -20,000	36	19.4
	20,001 -30,000	39	21.0
	Above 30,001	12	6.5
<b>Marital status</b>	Married	114	61.3
	Single	72	38.7
<b>Family type</b>	Small	123	66.1
	Medium	63	33.9
<b>Education</b>	High School or less	27	14.5
	UG	30	16.1
	Degree	84	45.2
	PG	45	24.2

### Research Instrument

The survey instrument was developed by the researchers after an extensive review of literature and scales used indifferent educational backgrounds guided by the theoretical base of the study. This instrument was sent to experts who were working in the field of management in different universities to determine its face and content validity. The instrument was improved in the light of the feedback from these experts. The structure of the questionnaire is clear, easy to understand, and straightforward to ensure that the respondents could answer the questions with ease. Table 3 gives the reliability of the measures considered and is more than the required limit of 0.6.

**Table 3: Reliability of variables considered**

Variables	Cronbach's Alpha	N of Items
Brand loyalty	0.605	8
Store loyalty	0.733	7

### 4. Data Analysis

The data were analysed via SPSS 20.0 for Windows. Descriptive statistics were used to describe and summarize the properties of the mass of data collected from the respondents. Pearson Correlation was seen as appropriate to analyse the relationship between the two variables which were interval-scaled and ratio-scaled. Furthermore, correlation coefficients reveal magnitude and direction of relationships which are suitable for hypothesis testing. The researcher used Pearson Correlation in order to identify the relationship between brand loyalty and store loyalty.

### 5. Findings and Discussion of results

Table 4 shows the eight independent variable factors of brand loyalty and Table 5 shows the seven independent variable factors of store loyalty that were tested by the researcher through the questionnaires distributed to respondents. The Likert scale was used in the questionnaire: 1 indicates strongly disagree, 2 indicate disagree, 3 indicate neutral, 4 indicate agree and 5 indicate



strongly agree. One of the methods to identify the influencing factors of brand loyalty and store loyalty are ranked from the highest to lowest based on the mean scores. Unfortunately this method is handicapped by personal prejudices, group effect, measurement bias and doubt over the appropriate placement of crosshairs to determine whether the importance of factors considered is high or low. In an effort to resolve these issues in this study, we have used the Structural Equation Modelling to evaluate the regression coefficient for both the variables Brand Loyalty and Store Loyalty. Using these regression equations we find out the values of each of the variables which is free of personal prejudices, measurement bias and doubt over the appropriate placement of crosshairs to determine whether the importance in each of the factors considered is high or low. In short we use SEM to test the following Hypothesis

### **Private Brand Loyalty**

Hypothesis set for factors influencing Private brand Loyalty:

H1 : Repeat purchase of Private brands on offers will have a significant impact on Private brand Loyalty

H2 : If the Private brand is unavailable, postponing the purchase will have a significant impact on Private Brand Loyalty

H3 : Repeat purchase due to the quality of Private brand will have a significant impact on Private brand Loyalty

H4 : Spreading positive word of mouth about Private brand will have a significant impact on Private brand Loyalty

H5 : Planning to continue purchase of Private brands will have a significant impact on Private Brand Loyalty

H6 : Even if the price increases, continuing to purchase Private brand will have a significant impact on Private Brand Loyalty

H7 : Strong recommendation to others will have a significant impact on Private Brand Loyalty

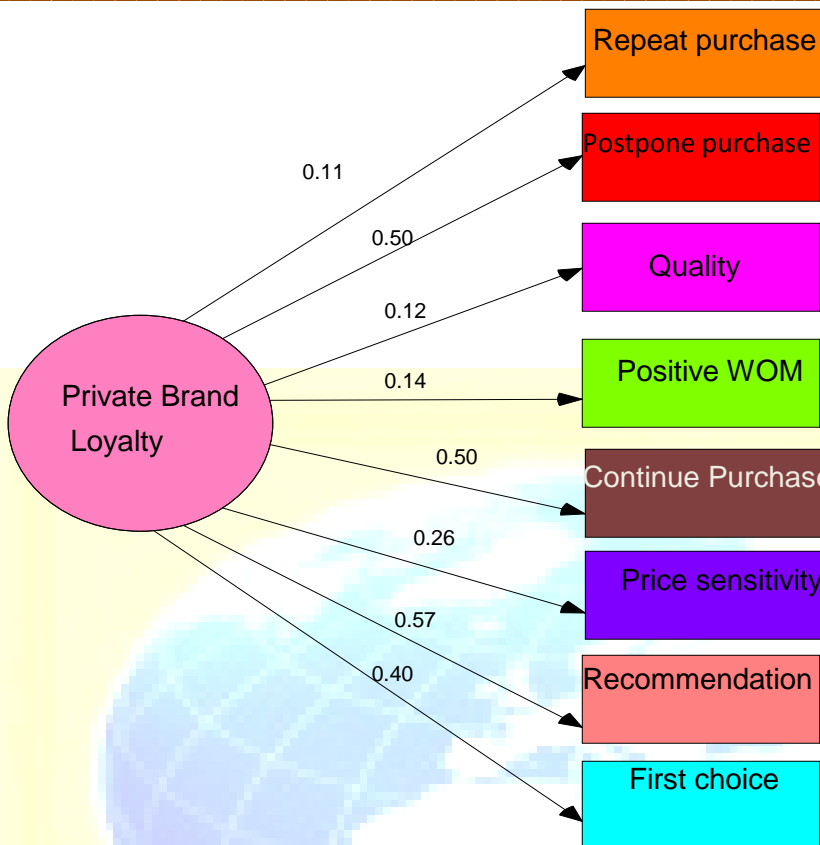
H8 : Considering Private brand as the first choice will have a significant impact on Private brand loyalty

In Table 4 and Table 5 we present the regression coefficient for the variables Brand Loyalty and Store Loyalty.

**Table 4 Regression Coefficient of Brand Loyalty**

Code	Factors of Store loyalty	Regression coefficient
BL1	I do repeat purchase of Private brands because of the offers	.110
BL2	If the Private brand of my choice is not available, I postpone the purchase	.501
BL3	I do repeat purchase of Private brands as I am satisfied with its quality	.119
BL4	I say only positive things about private brands to others	.141
BL5	I plan to do more purchase of Private brand in the future	.500
BL6	Even if the price increases somewhat for Private brands, I will continue to purchase	.257
BL7	I strongly recommend others to purchase Private Brand from the store that I use	.565
BL8	I consider Private brand as my first choice in the product category I purchase	.395





**Figure 1: SEM model for the variables of Brand Loyalty**

An analysis of the result of the SEM indicates that only **BL2, BL5, BL7 & BL8** have significant impact on Store Brand loyalty as their Regression Coefficient is greater than 0.4. This finding goes with the previous literature that strongly recommending to others is the most important factor that affects the Private brand loyalty. This was followed by the fact that if the private brand is not available, the respondents have admitted that postponing the purchase is a factor that strongly influences brand loyalty. The intention to continue purchase of more of private brands is the subsequent factor that influences the brand loyalty. The respondents prefer to purchase private brands in case it is present in the product category which they wish to purchase.

### Store Loyalty

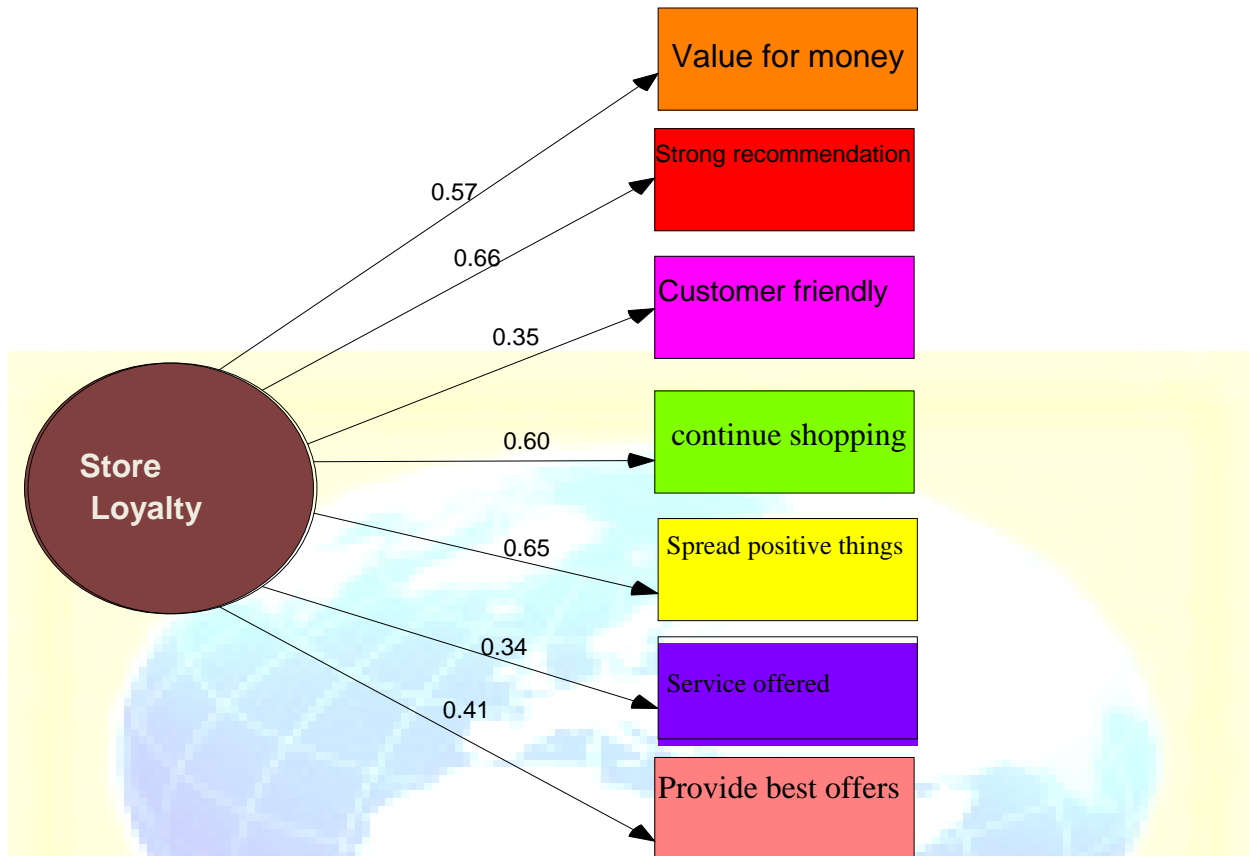
Hypothesis set for factors influencing Store Loyalty:

Similar to Brand Loyalty we have used SEM to test the following hypothesis pertaining to Store Loyalty:

- H1: Getting value for money is a factor that has a significant impact on Store Loyalty  
 H2: Strong recommendation of the store to others has a significant impact on Store Loyalty  
 H3: The customer friendly approach has a significant impact on Store Loyalty  
 H4: Planning to continue shopping has a significant impact on Store Loyalty  
 H5: Spreading positive things about the store has a significant impact on Store Loyalty  
 H6: The service offered at the store has an impact on Store Loyalty  
 H7: Providing the best offers has an impact on Store Loyalty

**Table 5: The Regression Coefficient of Store Loyalty**

Code	Factors of Store loyalty	Regression coefficient
SL1	I prefer this shop as I am getting value for money	.565
SL2	I strongly recommend this store to others	.659
SL3	I am treated as a valued customer and hence prefer this store	.349
SL4	I will continue to choose this store instead of others	.597
SL5	I say only positive things about this store to others	.652
SL6	I prefer the service of this store to that of competitors	.355
SL7	I believe that this store has the best offers at the moment	.414



**Figure 2: SEM model for the variables of Store Loyalty**

The result of regression co-efficient shows that strong recommendation of the store to others is considered as the most important factor that attributes to store loyalty followed by spreading positive word of mouth. The result goes with our theory that if the customers are prone to repeat purchase, it indicates that they are Store loyal. The SEM shows that it is value for money that comes next while assessing the factors for Store Loyalty. The respondents are of the opinion that if the stores provide them with the best offers when compared to its competitors, the customers will remain loyal to the store.

The main objective of the study is to find the relationship between Private Brand loyalty and Store loyalty. The result of PearsonCorrelation is found to be 0.713 ( $p < 0.001$ ). Thus we conclude that there exists a positive relationship between Private Brand loyalty and Store loyalty. Since the variables are found to be correlated we use the linear regression to find out the mathematical

relationship between the dependent variable Store loyalty with the independent variable Private brand loyalty. The effect of brand loyalty on store loyalty was assessed via linear regression and the result is displayed in Table 6.

**Table 6 Standardized regression coefficients and *t*-values for the Store loyalty on brand loyalty**

Variables	Co-efficient	sig	R Square	Adjusted R Square
(Constant)	1.314	.056		
Brand Loyalty	1.186	.000	0.508	0.506

The linear model for the effect of brand loyalty on store loyalty is

$$\text{Store loyalty} = 1.314 + 1.186 \text{ Brand loyalty}$$

From this we can infer that even a unit increase in brand loyalty increases store loyalty by 1.186unit.

Our second objective is to find out whether the positive relationship between Private brand loyalty and store loyalty that we observed here holds in the different demographical groups that we considered. Accordingly in Table 7 we present the correlation coefficient between the Private brand loyalty and store loyalty for all the demographic variables considered. There exists a high positive correlation between brand loyalty and store loyalty for the demographic variables like gender, age, occupation, marital status, family type and education. However, no such relation is observed in the case of respondents falling in the income group Rs.10, 001 to Rs. 20,000.

**Table 7 Correlation between brand loyalty and store loyalty**

Demographic Factor		Pearson Correlation	Sig. (2-tailed)
<i>Gender</i>	Male	0.587	<0.001
	Female	0.766	<0.001

	Below 20	0.518	<0.001
<i>Age</i>	21 -40	0.787	<0.001
	41 - 60	0.590	<0.001
	61 and above	1.000	<0.001
	Govt. Employee	0.812	<0.001
	Self-employed	0.500	0.008
<i>Occupation</i>	Private sector	0.944	<0.001
	Student	0.282	0.045
	Housewife	0.618	<0.001
	Below 10,000	0.944	<0.001
	10,001 -20,000	0.248	0.144
<i>Income</i>	20,001 -30,000	0.758	<0.001
	Above 30,001	0.597	0.040
<i>Marital status</i>	Married	0.778	<0.001
	Single	0.526	<0.001
<i>Family type</i>	Small	0.647	<0.001
	Medium	0.761	<0.001
<i>Education</i>	High	0.933	<0.001
	UG	0.631	<0.001
	Degree	0.679	<0.001
	PG	0.339	0.023

## 6. Conclusion

The purpose of this study is to investigate how far the customer's loyalty to the private brand can influence to build the loyalty to that specific retail store. Brand loyalty is a very important marketing tool which the retailers have to consider especially when the organised retail is on an upsurge in the current economic scenario. The study reveals that the loyalty to private brands and a particular retail outlet is found to be positively correlated and the reasons have to be analysed in further studies. In addition to analysing the relationships between the variables, the factors that influenced brand loyalty and store loyalty were identified. Finally the study unfolds the fact that

besides the exception for a particular income group, the positive correlation between Brand and Store Loyalty stands relevant for all other demographic variables. Undeniably, this is an encouraging input for retailers who are stretching their retail arms to provide their quality private brands in convenience foods which satisfy the palates of our Cochin consumers. This also confirms the fact that private brands can be used by retailers to enhance store loyalty and to differentiate a retail chain from its competitors.

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