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## Factors Influencing Consumer Attitude towards Private Label Brands in Online Marketing: An Empirical Review

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### Abstract

*E-commerce is a tough nut to crack. Both e-retailers and customer are looking to maximize their value. A value conscious consumer may drift his way to private label brands. First a qualitative investigation was done to identify the variables impacting Private label brands in online environment. The empirical part investigates that how sales promotion and coupon proneness impacts consumer attitude towards private label brands. Structural equation modelling was done in order to identify the strength as well as significance of the relationship. The results showed a surprised element of coupon proneness as the most impacting variable for the private label brands. The sales inclination was more for a value conscious consumer and they still look for global or national brand rather than private label.*

**Keywords:** Coupons, E -commerce, E-Retailer, Private label brand, Promotion

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### 1. Introduction

With the onset of 2017 an evolving era of digital consumer in developing economies has brought in blend of trends and countertrends characterising behaviour and attitudes. This can be very well characterized by understanding the clash between thrift and the desire to spend and what this does to consumer loyalty to brands. Brands are now reaching out to savvier consumers, confident in the practice of a type of reverse premiumisation, finding quality in unknown, unadvertised brands via hit online portal like AliExpress.com, Amazon etc., and private label products. Indeed, more than 6 in 10 women worldwide and more than 5 in 10 men report that they love to find bargains and furthermore, “value for money” is a sought-after feature in many product categories. The Online retail brands are trying to find this golden opportunity of launching Private label brand to fill the gap. For consumers, private label brands offer relatively high quality products at a very attractive price levels (Pauwels and Shrinivasan 2004; Davis 2013).

The branding of online retail channel has played an important role in establishing the perception of product quality amongst the consumer. There are measures like customer reviews, rating the seller to rate the product, people can return the product without any process issues etc. These robust measures have brought in some change in consumer attitude. There are numerous benefits for retailers if they have their own private label as it will provide them the increased store

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loyalty, chain profitability, control over shelf space, bargaining power of manufacturers and so forth (Richardson *et al.* 1997). In case of online analogy can be drawn as E-retailer brand loyalty, chain profitability, display on web page, bargaining of the manufacturer etc. Global online retail sales are growing and are estimated to reach 8.8% of total retail spending in 2018 as compared to 7.4% in 2016 as per the e-commerce reports. Internet opens up a global online retail platform where consumer is the king. Consumer buying behaviour can change the rules for branding and communications to the customer.

## **2. Background**

Over the past few decade ample works has been done in the area of Private label brands or store brands as they are more popularly known as. Researchers have tried to understand various phenomenons from different perspectives. PLBs address the pain point of consumers when the manufacturer's brand is too premium or if the price differential between the two is high. Higher the price difference higher is the inclination of the consumer to switch to PLBs (Sethuraman, 2000). Retailers are motivated to develop PLBs if the benefits are fulfilling economic or strategic objectives (Altinta *et al.* 2010). Retailers want to keep this price differential as high as they can so that they can increase the likelihood for purchase for price sensitive consumers (Rubio and Yague, 2009). This price incentive acts as an important bridge where if the consumer gets satisfied then PLBs can eat away the market share of the manufacturer's brand (Sethuraman, 2000; Steenkamp *et al.* 2010). The two important leveraging factors in case of e-retailer are price management can very well be done by observing the online customer behaviour as well as constant feedback from the consumer who have purchased it. These two were missing components in terms of traditional retailers. If these two are very well managed by the e-retailers then they can give tough competition to the manufacturer's brand.

Brand Loyalty is another aspect which acts as an obstacle for switching the brand to PLBs (Burton *et al.* 2002). Higher the brand loyalty more difficult it is to influence the consumer through means of sales promotion or coupon proneness. However if the risk of the purchase can be minimized then relationship between consumer purchase decision and brand loyalty can be weakened.

This study wants to investigate how consumers react to sales promotion and coupon discounts in online shopping behaviour for the private label brands. There is dearth of research in online shopping with respect to private label brands. In traditional way of shopping, private label brands have a strong counterpart of retailers. In traditional way of shopping if people trust the retailer, they negotiate upfront and are assure of the value for money. Physical reach to the retailer is the key to assurance. However in online shopping the environmental factors which influence consumer behaviour are different. There has been very limited work on private label brands preference in e-commerce. Global as well as private label brands attract the consumer to shop online by means of promotions or coupons besides the shopping convenience(Avery, 1996), consumer trait (Sharma *et al.* 2012; Cheung *et al.* 2014), Situational Factors (Huseynov *et. al.* 2016) etc. In the recent times a flock of new private label brands has emerged with a full swing. The antagonistic factor of Brand Loyalty is acting as a fulcrum to sway either way. Thus there is a need to understand the phenomenon of private label brands in e-commerce. Due to the lack of research in this area an exploratory research was conducted to understand the following phenomenon.

As online shopping is providing new opportunities to both consumer as well as retailer, both have a symbiotic relation. With the flourishing new online businesses promoting coupons, deals and promotions by means of mobile generated app or websites. Since promotion sector comprises a full business sector supporting e-commerce, there is a need for investigation of this

phenomenon. Big retail brands as well as private label brands are trying to tap this opportunity in their respective leverages. How private label brands are finding a zone to establish themselves using the same marketing tactics in e-commerce is an area of investigation. Till now PLBs have been under the research scope but through the lens of consumer perception of particular category (Richardson *et al.*1996), Willingness to pay premium (Sethuraman, 1992), category player (Hoch and Shumeet, 1993), Purchase mistake (Hsu Huei-Chen, 2007). This research seeks to answer whether sales promotion, coupon proneness and value consciousness of the consumer impacts the attitude towards private label brands. Is brand loyalty an amiss when promotion tactics are used by PLBs?

### 3. Methodology

For the exploratory study an in depth interview was conducted with 10 people. An attempt to understand the attitude towards private label brands was made. The sample consisted of varied categorical online shoppers. Equal number of men and women were considered in the sample. The age group of the people interviewed varied from 27 to 50 years. An attitudinal difference was observed with the price promotion and coupon proneness. Younger generation is more inclined towards grabbing an opportunity of price slashing and at the same time adept in using the coupons as compared to the older generation. If any brand announces price slashing the younger online shopper tends to grab that opportunity in the best possible way. As we move towards older generation their attitude towards price cut is not very prominent and they are not very easily lured by them. Some of the younger sample even accepted that they had eagerly waited for the sale to begin and had logged in their respective accounts to take advantage of the limited stock. Almost all the people agreed that they are value conscious buyers. The amount of money they are spending in online shopping they ensure that it is worth paying. During the heavy festive period people have agreed that they have ordered things online for gifting because time cost is high to reach the traditional retailer shops. People are in particular can be divided into two broad categories. One, who are brand loyal but can do experiments with the other brands (occasionally) and others who do not stick to any brand. Private label brands are frequently sought after by those who are not brand loyal. They believe that they can increase their value for money by exploring new private label brands in this competitive world of brands. One of the important considerations while buying anything online is the customer reviews (Bui *et. al* 2011). Everybody while making a purchase decision reads through the customer reviews and this applies to brands as well as private label brands. So if the customer reviews of any product are recommending that private label brand then people can invest in the money for making purchase. Customer reviews acts as a moderator while making the decision of online purchase. People when successful in taking risk in their purchase they tend to become more confident but if they encounter any "bad" purchase then next time they become more cautious. People have showed disappointment on the usability of coupons for claiming various discounts. They agree that coupons give them a sense of joy and they feel they have claimed a good deal but most of them forget to use coupons and repent later. However the coupons which the online retailer stores for them and reminds them to use at the time of payment of checkout they feel happy. The literature as well as the in-depth interviews gives in the way for the following hypotheses:

**Hypotheses 1:** Value Consciousness of a consumer is impacted by coupons and sales proneness

**Hypotheses 2:** Coupon proneness encourages sales of private label brand

**Hypotheses 3:** Sales promotions have a positive impact on private label brands

**Hypotheses 4:** Brand Loyalty can act as a fulcrum to sway from Brands and Private label brand

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In order to test the aforementioned hypotheses, a questionnaire was designed by identifying the well-established scales in the literature. The scales used in the questionnaire were measuring all the constructs. As per the interviews five important variables have come into picture i.e. *Sales Promotion, Coupon Proneness, Value consciousness, Brand Loyalty* and customer reviews. Private label brand is our core subject to study. All these factors impact Private label brand. Established scales were adapted as per the subject of online shopping. Scales for Value consciousness, Coupon Proneness and sales proneness were adapted from Price perception scale given by (Lichtenstein *et al.*, 1993). For private label brand scale of measuring attitude towards private label products scale of Burton (1998) was adapted. A pre-test of the questionnaire was done on a sample size of 30. Observations were recorded on a 7 point likert scale with 27 line items. SPSS 16.0 was used to run Cronbach alpha test. The result obtained is shown below in the table.

Cronbach alpha of 0.821 is considered good enough in social sciences to validate the reliability of the questionnaire.

**Table 1: Reliability Statistics**

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.814	.821	27

#### **4. Validation of the Questionnaire**

##### ***Data Collection***

Post checking the reliability of the questionnaire designed, it was tested on a sample size of 275 respondents. Respondents were targeted through an online social media platform. Social media platform of LinkedIn was especially chosen in order to cut down the active online users who do not have purchasing power. LinkedIn is a platform for professional people seeking new job opportunities or people who want to increase their networking in the industry. All people chosen were at senior or mid senior level in their hierarchy. This had two important benefits : One, All of them were active on online platform and Two, all of them had purchasing power as they were people who were working. The conversion rate for response was not almost near 50 percent. Targeting of respondents was stopped once the desired level of responses was collected.

##### ***Sample Characteristics***

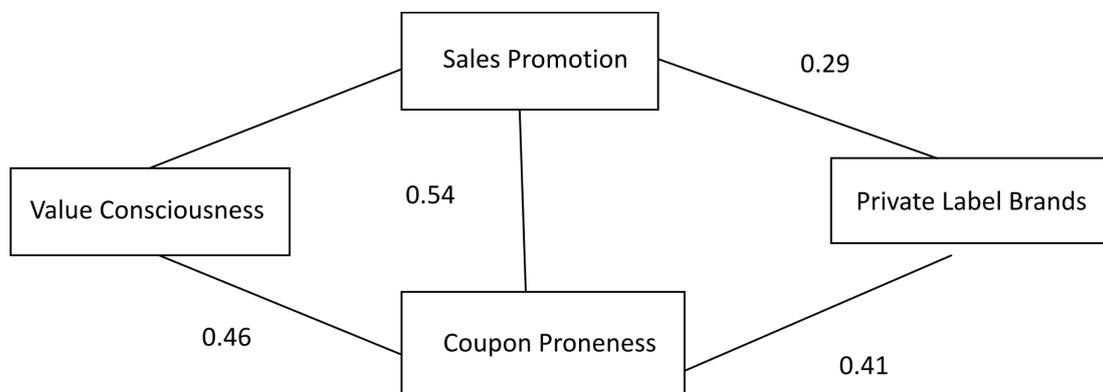
Total sample comprised of 59.6% male and 40.4% female respondents. Response rate of Males was slightly more than females. Prior studies confirm that females perceive a higher level of risk in online shopping (Bae and Lee, 2011). Compared to males, females perceive greater functional and psychological risk in online shopping. Compared to men, women prefer and enjoy physical evaluation of products (Dittmar *et al.* 2004). Females' inability to accurately judge the quality of the product online leads to higher functional risk, which may result from the barriers to touching, feeling, and trying the product or service in the online purchase environment. Educational background of the sample constituted of 75.2 % post graduates in contrast to 20.6% graduates. An analysis was run on AMOS to do structural equation modelling. The sample was also tested for invariance test to see that does gender play a role in determining the difference in the attitude of male and female buyer but the results for the same were insignificant.

**5. Results and Discussion**

The sample revealed the most sought after categories in e-commerce. Mobile and phone accessories (72.7%), Apparel and footwear (62.8%), followed by consumer durables, home furnishing, laptop/notebooks and then jewellery were seen as the consumer preference in e-commerce. The sample was modelled against the five variables which were formed factor analysis. The variables as identified were Sales promotion, Coupon Proneness, Value consciousness, Preference for private label brand and Brand Loyalty. Few line items had to be dropped because of insignificant factor loadings. While analysing the Brand Loyalty factor there were only two significant line items representing the factor which eventually had to be removed from the analysis.

S.No	Variable	Cronbach Alpha Reliability
1	Coupon Proneness	0.893
2	Private Label Brand	0.851
3	Value Consciousness	0.879
4	Sale Proneness	0.71
5	Brand Loyalty	0.665

Though the Cronbach alpha reliability test was decent enough to proceed with the Structural equation modelling gave the results which were significant at alpha =0.90. The strength of the relationship amongst variables is shown below in the diagram:



**Figure 1: Author’s Interpretation of SEM**

CFI value for model fit is 0.933. The results were significant.

The results validate the hypothesis for value conscious consumer who is impacted by the sales proneness and coupon proneness. Both the results have come out to be significant. There is a strong relationship between the three variables. Hypothesis for coupon proneness impacting private label brands has also been validated by the model. However Sales promotion relationship with private label brand is not that strong as expected. They definitely have a significant relationship but the magnitude is almost half of that of Coupon proneness. Hypothesis

regarding brand loyalty could not be validated as this factor was terminated for the analysis because of less variance explained for the variable. This study has brought into highlight the fact that in order to establish a successful private label brand in online platform Coupons can play an important role. Sales promotion does not have that significant impact on the private label brands. The reason for this can be that sales promotion drives global brands more as compared to private labels. If there is a sales promotion for global brand as well as for private label brand then consumer will definitely opt for global brand. The reason can be more value for money as brand image is higher than private label. Also relation between value conscious consumer and private label brand was not strong enough. They have a relationship which is significant but the impact is not influencing more for private label. This may be because a value conscious consumer tries to maximize his value for money. His value maximization is not restricted in monetary terms but also other aspects such as brand Image. Also brand image of the retailer can also be crucial in determining the purchase of private label as trust, credibility of retailer has the potential to make an imagery of the private label brand.

## **6. Implications and Future Scope of Research**

This exploratory as well as the empirical study has made a maiden attempt to understand the consumer psyche for private label brands. There is a gap which can be fulfilled by online retailers in order to attract more purchases. Price and promotion do impact the consumer. Since consumer adds the time cost too when they buy the product in traditional format, that requirement can be well tapped by the marketers. Positioning of a private label brand amidst the established brand will make a difference in the consumer approach. The moderators like customer reviews, blogs and ongoing feedback process adds credibility to the consumer's consideration set of purchase. If positioned in lieu of the five basic marketing principles the trial can clout consumer for frequent purchase. There is a further need of investigation for understanding the consumer by categorising them on the basis of their frequency of purchase online. This study will be incomplete if the factors which forces consumer to elude from shopping private label brands are not understood in complete sanctity. Consumer is selective in some categories in which the purchase cycle is very long or once in a lifetime product. However in some categories the purchase cycle is very short. Those categories which involve frequent repurchase should be focussed upon by the private label brands. Impact of brand loyalty needs to be studied separately in detail as this study was not able to establish any meaningful result out of it.

## **7. Conclusion**

This study has tried to understand the various facets which impact the consumer while making a purchase decision for a private label brand. There are factors which can trigger the purchase behaviour towards a private label brand when utilized in an appropriate manner. By conducting the in depth interviews , five prominent factors which were identified are value consciousness which directly impacts the purchasing behaviour towards PLBs, price promotion as well as coupon proneness impacts the buyer to increase the value in purchase and attitude towards the private label brands in turn affects the brand loyalty of manufacturer's brand in future. Out of these factors the prominent factor which influences consumer attitude towards purchase of private label brand has come out to be coupon proneness. Other factors do influence the consumer decision but their impact is less pronounced than Coupon proneness. This is a very important finding in context of marketers as well as the e- retailers to plan their execution for a private label brand.

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