

Store Image and Private Label Brands in Zimbabwe: Relationship with General Perception, Perceived Risk and Quality

Sarah Nyengerai

Bindura University of Science Education, Zimbabwe

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Abstract

Private label brand market penetration is estimated at less than 8% in Southern Africa. Retailers need to develop strategies that will drive growth of the industry. A survey was conducted to quantify the effect of two store image dimensions on general private label brand perception as well as the effect of the store image dimensions on perceived risk and quality of private label brands. Data collected was analysed using simple linear regression. Results illustrated that perceived store general image as well as store layout and services had a significant ($p < 0.05$) and positive effect on general private label brand perception. A higher perception of store image dimensions reduced the perceived risk of purchasing private label brands and the effect was significant ($p < 0.05$). Store image dimensions did not have a significant effect on perceived quality of private label brands. The authors concluded that there is scope to improve PLB perception among consumers in Zimbabwe through improvements in store image dimensions. They recommended that retailers hone on store image through measures such as selling a wide selection of good quality products; the creation of a good store atmosphere and investment in the training of staff in customers care.

Keywords store image services layout private label brand perception risk quality

1.0 Introduction

Private label brands (PLB), store or home brands, refer to those brands that are owned by, and sold through, a specific chain of stores. These products are usually manufactured by a third party under license (Collins-Dodd and Lindley, 2003; Beneke, 2009). PLB have become a very important in the retail sector. In Switzerland, the United Kingdom, Belgium and Germany the 2012 market share for PLB was estimated at 47 %; 41 %; 36 % and 32 % respectively (Martin, 2008). There are a number of benefits that retailers have realised from selling them and these include increased profitability through cost saving and increased margins, increased store loyalty and creation of a distinct corporate identity (Ferne *et al.*, 2003). Research results

show that gross margins realised from PLB can be 25–50% higher compared to manufacturer brands (Keller, 1993; Semeijn *et al.*, 2004).

In Southern Africa the PLB market is relatively young and/less developed (Euro Monitor International, 2010). South Africa's PLB penetration rate is the highest and is estimated at 8% (Beneke, 2009). There is need to develop marketing strategies that can facilitate growth in the PLB industry in Southern Africa. A positive store image is an aspect that retailers could possibly hone to increase the market share of PLB (Rzem and Debabi, 2012). In developed countries the relationship between store image and perception of PLB is a well researched area (Richardson *et al.*, 1996 ; Vahie and Paswan, 2006). The case of different British stores namely, Harrods (a retail store which is targeted at high end customers), Tesco's and Sainsbury's (retail stores with less prestige than Harrods), shows that when store image is highly perceived PLB can outperform the manufactures brand (Semeijn *et al.*, 2004).

Semeijn *et al.*, (2004) compared the influence of store image on PLB perception for three stores in the Netherlands. The three stores had different image ratings regarding level of prestige. They found that for all stores the perceived image had a significant and positive relationship with PLB perception, albeit to different degrees. They also found the three stores were able to moderate/relieve the negative correlation between level of perceived complexity of manufacturing a product and PLB perception to different degrees. Their study illustrated that the store perceived to be the least prestigious was the least effective at relieving perceived risk associated with purchasing a product believed to require a complex manufacturing process.

Rzem and Debabi (2012) conducted a study on the effect of selected variables (perceived risk, perceived quality, perceived value, price consciousness) on perception of PLB. They found that perceived risk has a significant and negative effect on private label brand perception; they also found that perceived value had a positive and significant effect on private label brand perception. The authors illustrated that store image had a moderating effect on the relationship between perceptual variables and private label brand perception. The results of their study showed that while store appearance improved the relationship between perceived quality and private label brand perception, store general attributes (constructed through quantifying customer perception of; selection of merchandise in the store; store reputation and store performance) seemed to deteriorate the relationship. They concluded that store image is a very complex construct and retailer may perform in a considered dimension and need to improve himself in others.

1.2 Problem Statement

Empirical evidence has been used to highlight the important role of store image on PLB perception. Results show that different dimensions of store image can have a different effect on PLB perception. In Zimbabwe, where the industry is still at an early stage of development information on the drivers of PLB perception is lacking (Beneke, 2009). This is the case despite the fact that strategies are required for growth in this industry which currently accounts for less than 8% of the market share in the retail sector. This study sought to elucidate the effect of store image on general PLB perception. It also sought to understand the effect of store image on perceived risk and quality of PLB. It was hypothesized that a higher store image

would result in a higher perception of PLB; reduced risk perception and improved quality perception of PLB.

2.1 Methodology

An experiment was designed to quantify the effect of store image on PLB perception and to also quantify the effect of store image on perceived risk and perceived quality of purchasing a PLB. The investigation was conducted using bivariate regression analysis. All dependent variables were regressed on the independent variable in a fashion of one variable at a time. Bivariate regression analysis is a procedure for deducing a relationship of a mathematical nature in a form of an equation between a single criterion variable and a single predictor variable (Mukucha *et al.*, 2012).

2.2 Questionnaire design and sampling

The 1st part of the questionnaire collected demographic information. The second part of the questionnaire collected information on store image and PLB perception. Respondents were specifically asked to give their perception of PLB from TM. This was done to control for variability that could be caused by different stores (Collins-Dodd and Lindley, 2003). TM is a local retail chain and PLB for TM supermarkets are manufactured/packaged locally. To quantify PLB perception, scale items for this factor captured general perceptions on private label brands and perceptions on a basic food item "TM Super saver rice". The perception of TM supersaver rice was included because questions that sought to identify the risk perception focused on a basic food commodity and rice was selected. In this study the authors decided to focus on a specific product category to determine risk and quality perceptions of PLB, this was done because it has been proved that product category can influence risk and quality perceptions (DeVecchio, 2001).

The questionnaire was pre-tested prior to implementation of the main survey. The data for the main survey was collected by intercepting customers as they exited from TM supermarkets in Harare, Bulawayo and Bindura. Data reported is from 43 questionnaires that were completed. Measures for store image and PLB perceptual variables being tested were taken via seven-point, multi-item scales with items anchored by completely disagree and completely agree. For the variables measured the scale items in Table 1 were used, (R) indicates that the item was reverse coded. Reliability of scale items was tested and Cronbach's Alpha was proved to be greater than 0.7 for all factors.

Items for private label brand perception were based on a scale used by (Van Riel *et al.*, 2001 and Semeijn *et al.*, 2004). The items for store image were adopted from a scale used by (Semeijn *et al* 2004; Rzem and Debabi, 2012). The scale items for perceived risk and perceived quality were adopted from a scale used by (Rzem and Debabi, 2012).

2.3 Analysis

Data was analysed using simple linear regression. Prior to analysis all independent variables were mean-centered to reduce multicollinearity (Cronbach, 1987). The correlations among the independent variables are displayed in Table 2.

Table 1 Factor items and coefficient alphas

Factor	Items Measured
PLB Perception (0.70)	<ul style="list-style-type: none"> • The overall quality of private label brands is low (R) • I am highly Likely to purchase a private label brand • The quality of PLB rice is high • I am unlikely to buy a PLB rice (R)
Perceived Risk (0.84)	<ul style="list-style-type: none"> • Considering the price of rice for me to purchase a TM Supersaver brand would be very risky. • The purchase of TM Supersaver rice is risky because quality of TM supersaver rice is inferior.
Perceived Quality (0.77)	<ul style="list-style-type: none"> • With respect to rice TM super saver is NOT inferior to national brands • TM Supersaver rice is similar in quality to national labels
Store Image-general attributes (0.77)	<ul style="list-style-type: none"> • The store has a good selection of merchandise. • The store has a good reputation. • The store is doing well. • Overall I have a good impression of the store
Store Layout and Services (0.72)	<ul style="list-style-type: none"> • TM has a good appearance • TM store layout is clear • It's easy to find an article on promotion in TM • TM employees are courteous • I have no problems when returning items when I shop from TM • TM has convenient opening hours • Employees are willing to find specific solutions for customer problems

3. Results and discussion

Table 2 Correlations among independent variables

		PLB Perception	Risk	Store Image	General	Store and Services	Layout	PLB Perception	Quality
PLB Perception	Risk	1		0.143		0.134		0.539	
Store Image	General			1		-0.478		-0.053	
Store and Services	Layout					1		-0.057	
PLB Perception	Quality							1	

The mean age of the respondents was 28.5 years with a range from 19-57 years. The gender of consumers was distributed as follows; 66 % female and 34% male. The mean monthly income was \$599, with a range from less than \$200 - \$3000. Store general image and store services and layout had a significant ($p < 0.05$) and positive effect on PLB perception. The results also showed that as both dimensions of store image that were considered in this study increased, the perceived risk of purchasing TM super saver rice significantly decreased. However the store image dimensions considered did not have a significant effect on the perceived quality of “TM Super Saver Rice”

Collins – Dodd and Lindley (2003) report that store brands are extensions of the store image and thus store image is important in the promotion of PLB. In their studies the authors also find that a higher perception of PLB brands results in improved store loyalty. This strongly suggests that PLB can provide an important source store differentiation and result in higher margin sales with more loyal customers. Vahie and Paswan (2006) also find that store quality and atmosphere perception has a significant and positive effect on PLB perception. They recommend that management should put emphasis on the following; the selling of good quality products; the improvement of presentation and up-keep of store through the use of displays and air conditioning and the provision of excellent customer services. Similar recommendations are made by Rzem and Debabi, 2012). These are recommendations that retail managers from Zimbabwe should incorporate into their planning in-order to stimulate PLB. In-store displays could also use images of PLB that are sold to stimulate familiarity with PLB. Store employees should also in their rapport with customers promote PLB.

Our study highlighted the fact that as store image perception increases the perceived risk of purchasing a PLB product decreases. Improving store image will thus be very important because literature illustrates that in emerging PLB markets there is skepticism surrounding PLB and consumers associate their purchase with financial, social and functional risk (DelVecchio, 2001). The reduction of perceived risk will be even more important as retailers in Zimbabwe venture into products that require a more complex manufacturing process such as cleaning agents and are likely to carry a higher risk perception among consumers (DelVecchio, 2001)

Table 3 Effect of store image dimensions on private label brand perception, perceived risk and quality

	Model	Standardised Coefficients (β)	T value	Significance Level
Store general image and PLB Perception	Constant		1.122	0.269
	Store general image	0.460	3.111	0.004***
Store services and layout PLB Perception	Constant		1.380	0.176
	Store services and layout	0.400	2.619	0.013**
Store general image and perceived risk	Constant		4.529	0.000
	Store general image	-0.289	-1.811	0.079*
Store services and layout and perceived risk	Constant		4.811	0.000
	Store services and layout	-0.333	-2.119	0.041**
Store general image and perceived quality	Constant		1.377	0.177
	Store general image	0.171		0.304 NS
Store services and layout and perceived quality	Constant		2.166	0.037
	Store services and layout	0.169	1.028	0.311NS

NS: Non Significant, * Significant at 10%, ** Significant at 5% and *** Significant at less than 5%.

4. Conclusion and recommendations

The hypothesis that store image improves PLB perception and reduces perceived risk was accepted. However the hypothesis that store image improves quality perception of PLB was rejected. The authors have concluded that there is scope to improve PLB perception among consumers in Zimbabwe through improvements in store image dimensions. It is recommended that retailers hone on store image to improve PLB perception. We recommended that to promote PLB and possibly create store loyalty management should put emphasis on the selling of wide selection of good quality products; the creation of a good store atmosphere and they should also invest in the training of staff in customers care.

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